CBJ DOCKS & HARBORS BOARD
FINANCE MEETING AGENDA
For Tuesday, September 25th, 2012

I. **Call to Order** (5:00 p.m. to 7:00 p.m.) in the **Room 224, City Hall.**

II. **Roll Call** (John Bush, Tom Donek, Kevin Jardell, Scott Spickler, Michael Williams, and Eric Kueffner).

III. **Approval of Agenda**.

MOTION: TO APPROVE THE AGENDA AS PRESENTED OR AMENDED.

IV. **Public Participation on Non-Agenda Items** (not to exceed five minutes per person, or twenty minutes total).

V. **Approval of August 28th, 2012 Finance Committee Meeting Minutes**.

VI. **Items for Action.**

1. Gitkov Lease Renewal
   Presentation by the Port Director

   Committee Questions

   Public Comment

   Committee Discussion/Action

   MOTION: TO BE DEVELOPED AT THE MEETING

2. Mt. Roberts Tram Lease Rent Update
   Presentation by the Port Director supported with City Law Representation

   Standing Invitation to Goldbelt to present recommendation on the path forward

   Committee Questions

   Public Comment

   Committee Discussion/Action

   MOTION: TO BE DEVELOPED AT THE MEETING

VII. **Items for Information/Discussion**.

1. Mega Yacht Harbor – Presentation by Howard Lockwood

VIII. **Staff & Member Reports**.

IX. Committee Administrative Matters.

1. Next Finance Committee Meeting October 23rd, 2012

X. Adjournment.

CBJ DOCKS & HARBORS BOARD
FINANCE MEETING MINUTES
For Tuesday, August 28, 2012

I. Call to Order.

Eric Kueffner called the Finance Committee Meeting to order at 5:00 p.m. in room 224 of the Assembly building.

II. Roll Call.

The following members were present: Tom Donek, Scott Spickler, Michael Williams, John Bush and Eric Kueffner.

The following member was absent: Kevin Jardell.

Also in attendance was: Carl Uchytil-Port Director.

III. Approval of Agenda.

MOTION BY MR. WILLIAMS: TO APPROVE THE AGENDA AS PRESENTED.

The motion passed with no objections.

IV. Public Participation on Non-Agenda Items.

There was none.

V. Approval of July 24th, 2012 Finance Committee Meeting Minutes.

Hearing no objection, the minutes of the July 24th Finance Committee Meeting were approved as presented.

VI. Items for Action.

1. Mount Roberts Tideland Lease.

Mr. Uchytil said in summary, Docks & Harbors' process to reappraise the leased land results in a proposed annual increase from $104K to approximately $300K. Goldbelt has had their own appraisal done by Reliant Advisory Services who has determined the parcel of land to be of no economic value and is suggesting the new annual lease rent to be $0. It is the professional opinion of the Docks & Harbors' appraiser that the Golbelt valuation and techniques untilized was done so erroneously. Upon receiving the Goldbelt appraisal, Horan & Company was contracted to review the content of the Reliant report. Also included in the appraisal is a legal opinion drafted by Attorney Robert Spitzfaden advocating the land be valued subject to the terms of the lease and conditional use permit.

VI. Items for Action (Continued).

Mr. Uchytil asked Mr. Charles Horan to attend the meeting via teleconference to help clarify the two different appraisal valuation techniques. The Horan & Co review suggests, in this case, the land residual technique used by Reliant is not reliable, was applied incorrectly and Reliant failed to use more appropriate techniques for which data was readily available.

Due to technical difficulty with recording equipment, there is no recording available for this meeting.

Mr. Uchytil asked the Committee for direction in negotiating a new Lease rent for the Mount Roberts Tram.

Mr. Kueffner stated he has previously worked with Goldbelt in Legal matters, but is no longer representing them currently. He did not want a conflict of interest issue and asked the committee members if anyone had a concern about his previous representation of Goldbelt.

Mr. Spickler asked if Goldbelt had been paying $104K per year since 2009.

Mr. Uchytil said Goldbelt has been paying $104K per year.

Mr. Kueffner asked Mr. Horan if he had used this method to appraise property.

Mr. Horan said he had used it in the past but that it was the least precise and least preferred method of appraising property.

Mr. Horan gave a recap of the method he used for his Appraisal of the Property. He said they took 4 or 5 sales of buildings in the area; separated out what part was the building and what part was the land. This is a commonly used technique. The real critical difference in the two appraisals is legal opinion and footage. What does the lease really say or mean as far as proper lease rent. The Appraiser should not determine the lease rent only value the property. The appraiser is never asked to estimate rent.

Public comment:

Derek Duncan, Vice President of Operations for Goldbelt

Mr. Duncan said The Mount Roberts Tram is important to the community as well as Goldbelt shareholders. When he was first presented with Horan's appraisal and the large increase in value and estimated lease rent, his first thought was that the increase could be the difference between operating in the red instead of the black. The Best possible use of this property is a tram. There are no other comps in Southeast. He asked if they could call Reliant and have them explain the appraisal method they used at the next meeting. We do not concur with the Horan appraisal and would like to negotiate in good faith a fair lease rent.

VI. Items for Action (Continued).

Mr. Kueffner suggested appointing a committee to negotiate the tideland lease. He volunteered to be on the lease committee with Kevin Jardell and Tom Donek.

Mr. Uchytil asked if we need to resolve the legal issue before we proceed with negotiations.

Public comment:

Mr. Robert Spitzfaden, Attorney for Goldbelt.

Mr. Spitzfaden said the base of the lease will be fair market value of the land at it's best and highest use. You have to take into account the lease restrictions. Under appraisal standards you have to take in restrictions of the lease as well as zoning restrictions. This allows you to look at what the lease says. If you don't want it done that way then you have to say that in the lease and this lease does not include this language.

Mr. Kueffner said you are undermining what the lease provisions say. The lease is saying don't do those things. This becomes an endless loop.

Mr. Spitzfaden said the lease says you can only use the property for an aerial tramway, so it must be appraised as so.

Mr. Kueffner said this is not the way we have ever done leases.

Mr. Spitzfaden said this lease has never actually been appraised before.

Mr. Bush asked if it was Goldbelt's intent to pay zero rent.

Mr. Duncan said it was Golbelt's intent to pay 10% of appraised value or $30 per square foot whichever is greater as stated in the lease.

Public comment:

Mr. Robert Loiselle, President & CEO for Goldbelt

Mr. Loiselle said clearly if the tram was not in the parcel, the parcel would have value. With Horan's appraisal our rent is going to go up 3 fold. There may be a better way to do this. The logical thing to do here is decide what a logical lease rent for this property is. We think the answer is somewhere in between.

Mr. Kueffner said we do not have the latitude to just decide what the best lease rent is, we have to follow the terms of the lease.

VI. Items for Action (Continued).

Mr. Spickler said it seems like it would make sense to negotiate a fair value and reconstruct the lease in a way that should work for both parties.

Mr. Loiselle said the lease does require the board to come to an agreement on the lease and work in good faith.

Mr. Uchytil asked why the lease at the top of the tram is twice as much as the bottom.

Mr. Loiselle said we are not relating the two leases. We are not using the lease at the top of the Tram as a comp for the bottom.

Mr. Williams asked to be on the negotiation committee.

Mr. Bush asked if there was an assessed value for the land.

Mr. Uchytil said we have all new players in this negotiation on both sides and nobody recalls the negotiations back in 2009 over lease rent.

Public Comment:

Paul Swanson said he has been involved in a lot of ski areas on Forrest Service land and they always had to pay royalties from tickets and sales.

Mr. Kueffner created a lease committee made up of: Eric Kueffner, Tom Donek and Kevin Jardell to negotiate a fair market lease rent.

Mr. Uchytil asked if the meetings would be public or under executive session.

Mr. Kueffner said he would talk with the CBJ Attorney.

2. Aurora Harbor Project Matching Grant Money

Mr. Uchytil said Mr. Jardell requested I bring this item to the board. We had hoped to use the tug assist vessel that was in Aurora Harbor to apply for a matching grant, but it is not coming back so we have lost the $500,000 in matching funds. He has asked the CBJ attorney if it can be used in Auke Bay. By next spring we will need to come up with another $500,000 to replace the funds.

Mr. Donek suggested the Alaska Fish and Game matching grant. This grant program is targeted at transient vessel moorage.

Mr. Uchytil said they can use it for Statter Harbor.

Ms. Becker asked if we had to have all the money before we start the project.

VI. Items for Action (Continued).

Mr. Uchytil said we would like to start by replacing A & B floats in Aurora. $7 million would get us past the boat houses.

MOTION by Mr. Kueffner: TO LOOK INTO APPLYING FOR THE ALASKA FISH AND GAME MATCHING GRANT AND ASK UNANIMOUS CONSENT.

The motion passed without objection.

VII. Items for Information/Discussion.

1. Review of Lawson Report.

Mr. Uchytil provided a revenue report from the CBJ Lawson system as well as the FSM Harbor system.

2013 Harbors budget

Mr. Uchytil said he has invited Angelica from the CBJ accounting department to come before the committee to explain the Lawson system reports and how they work. He has spoke to the new finance director and asked for reports better than the Lawson Reports.

VIII. Staff & Member Reports.

There were none.

IX. Committee Administrative Matters.

1. Next Finance Committee Meeting is September 25th, 2012.

X. Adjournment.

MOTION by Mr. Donek: TO ADJOURN THE DOCKS & HARBORS FINANCE COMMITTEE MEETING AND ASK UNANIMOUS CONSENT.

The Finance Committee Meeting adjourned at 6:49 p.m.

City and Borough of Juneau Property
Docks and Harbors
Application for Lease

Application processing - The Port Director will review each application for completeness within 30 days of receipt unless the Director notifies the applicant that more time is required to complete the review. If the port director determines that the application is not complete, the Director will provide the applicant with a general description of the information needed to make the application complete. Once the application is complete, the Port Director will estimate the cost for the docks and harbors department to process the application and will notify the applicant in writing of the estimated cost. The applicant is required to pay all costs associated with processing of the application, including any costs to survey and appraise the area proposed to be leased. The applicant must agree in writing to pay the processing costs prior to the Docks and Harbors Board taking action on the application. Failure of the applicant to agree to pay, or pay, any processing cost will result in the application being denied. The applicant may assist the Port Director by arranging for specified components of the work, such as survey and appraisal, provided any such work to be performed by applicant is approved in writing in advance by the Port Director.

Date 12/31/11 ADL# 101598

Applicant's Name: Jane H Hawkins John D Gitkov

Group, Association, or Corporation Name

Mailing Address: 22745 Glacier Highway

City/State/Zip Juneau, Alaska 99801

Message Phone 789-4210 Work Phone 723-4210

Is applicant authorized to conduct business under the laws of the State of Alaska?

yes

Is applicant 19 years or older?

yes

What type of lease are you applying for? continue tideland

(uplands lease, tidelands lease, easement)

The Board intends to award leases to the development that provides the most marine-related benefit to the community of Juneau and the development that provides the most economic benefit to the City and Borough of Juneau in general and the Docks and Harbors Department in particular.

The lease must meet all applicable requirements listed in CBJ ordinance 53.20.

Jane H Hawkins Jh H Hawkins 12/31/11

Signature **Date**

If applying on behalf of an agency, municipality, or organization, state which one. **Title**

Please do not write below. Docks and Harbor use only.

RECEIVED JAN 04 2012 BY:

Application Received ______ $10.00 Filing Fee Received ______

RECEIVED JAN 04 2012 BY:

Date approved by Operations Committee ______

Date approved by Finance Committee ______

Approved by Regular Board ______

Law Department Ordinance ______

Assembly Action ______

Lands ______

Public Notice ______

Ad Option ______

Final Lease Signed Date ______

Legal Description:

Lot(s)__________ Block/Tract#__________ Survey/Subdivision ATS 1170

Other: S21, T40S, R65E, CRM, Plat 82-43

Acres 1.687

What is the proposed use and activity on the leased land? continue use as a marine terminal - serving freight vessels, cargo handling, salvage and repair operations, environmental response, passenger vessel operations, moorage and loading

Proposed term of lease 55?

Are you planning to Sublease this land? Yes No

Are there any improvements or construction planned?

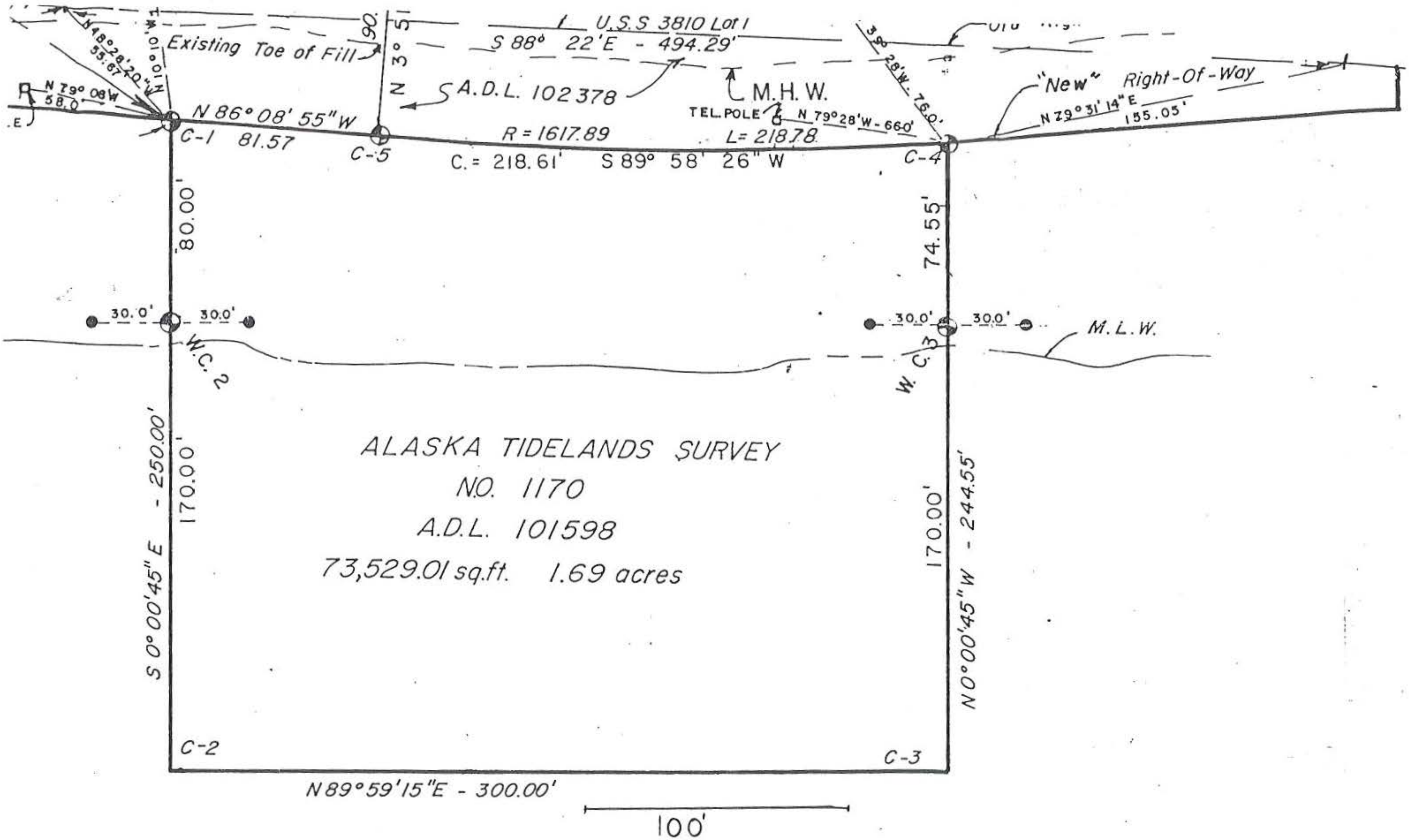
no

If yes, submit a development plan that includes.

a. The nature and purpose of the proposed lease.
b. A site plan
c. The use, value, and nature of improvements to be constructed.
d. The dates construction is estimated to commence and be completed.
e. A detailed description of the proposed operation.
f. Whether the intended use complies with the CBJ Land Use Code, CBJ Title 49, and the comprehensive plan of the City and Borough of Juneau.
g. Additional information that would assist the Port Director, the Docks and Harbors Board, and the Assembly in acting on the application.

CBJ zoning title and plans are available from the Community Development Department.

The Board recommends that applicants carefully review current site conditions before making an application.



U.S.S 3810 Lot 1
S 88° 22'E - 494.29'
Existing Toe of Fill
N 48°28'20"W 55.67
N 10°10'W
N 3° 51' 06"
N 79° 08'W 58.0
A.D.L. 102378
M.H.W.
TEL. POLE
N 79°28'W - 66.0'
38° 28'W - 76.0'
"New" Right-Of-Way
N 79°31'14"E 155.05'
N 86° 08' 55"W
C-1 81.57
C-5
R = 1617.89
L= 218.78
C.= 218.61' S 89° 58' 26" W
C-4
80.00'
74.55'
30.0'
30.0'
W.C. 2
W.C. 3
M.L.W.
ALASKA TIDELANDS SURVEY
NO. 1170
A.D.L. 101598
73,529.01 sq.ft. 1.69 acres
S 0°00'45"E - 250.00'
170.00'
170.00'
N0°00'45"W - 244.55'
C-2
C-3
N89°59'15"E - 300.00'
100'

Appraisal Report

ANNUAL MARKET RENTS
GITKOF TIDELANDS LEASE ATS 1170
13395 GLACIER HWY, JUNEAU, ALASKA

Prepared For:	Carl J. Uchytil, PE, Port Director City and Borough of Juneau Docks and Harbors 155 S. Seward Street Juneau, Alaska 99801
Prepared By:	Timothy W. Riley, Real Estate Appraiser Horan & Company, LLC 403 Lincoln Street, Suite 210 Sitka, AK 99835
Effective Date:	April 6, 2012
Report Date:	June 29, 2012
Our File Number:	12-011A

HORAN & COMPANY

REAL ESTATE APPRAISERS/CONSULTANTS

CHARLES E. HORAN MAI / WILLIAM G. FERGUSON, TIMOTHY W. RILEY, JOSHUA C. HORAN, JAMES A. CORAK, AND SARAH ADAY

403 LINCOLN STREET, SUITE 210, SITKA, ALASKA 99835

PHONE NUMBER: (907)747-6666 FAX NUMBER (907)747-7417 commercial@horanappraisals.com

June 29, 2012

Carl J. Uchytil, PE, Port Director
City and Borough of Juneau Docks and Harbors
155 S. Seward Street
Juneau, Alaska 99801
VIA Email: teena_scovill@ci.juneau.ak.us

Re: Estimated Market Rents of ATS 1170, Plat 82-43; 13395 Glacier Highway, Juneau, Alaska, ADL 101598; Our File 12-011A

Dear Mr. Uchytil,

I have analyzed the applicable real estate market for sales information as well as any applicable tidelands and waterfront leases. Based on this analysis, the estimated annual market rent value, as of the valuation date of April 6, 2012, is as follows:

ATS 1170, 73,529 SF
$11,030/year

Your attention is invited to the remainder of this report which sets forth the Assumptions and Limiting Conditions, Certification of Appraisal, and the most pertinent data considered in estimating the market value of the subject property. This summary appraisal report is intended to comply with the rules and regulations as set forth by the Uniform Standards of Professional Appraisal Practice (USPAP), the City and Borough of Juneau's Appraisal instructions and the standards and guidelines of Horan and Company LLC.

If you have any questions or comments, please feel free to contact me at your convenience.

Respectively submitted,

Timothy W. Riley, AA 685
HORAN & COMPANY

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CERTIFICATION OF APPRAISAL

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to the review by its duly authorized representatives.
- Timothy W. Riley made a personal inspection of the property that is the subject of this report on April 6, 2012.
- No one provided significant real property appraisal assistance to the person signing this certification.
- Our office previously evaluated the subject lease to determine the need for adjustment based on current market trends. No other appraisal services were performed on the subject lease in the past three years.

Timothy W. Riley, Real Estate Appraiser
AA 685

April 6, 2012
Effective Date

June 29, 2012
Report Date

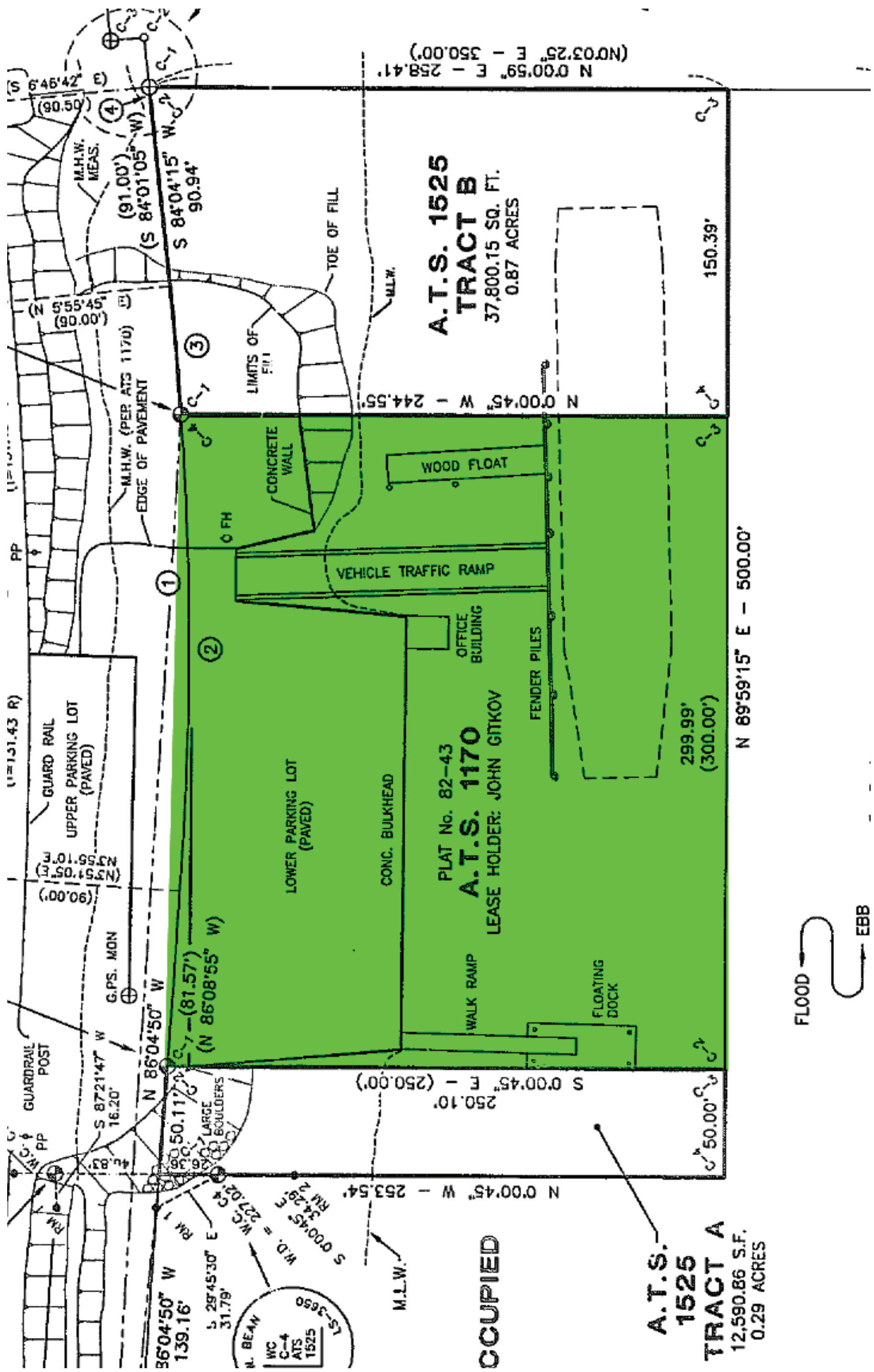


FIGURE 1 – BLOWN UP PORTION OF PLAT99-59, HIGHLIGHTING THE SUBJECT

1 INTRODUCTION

1.1 SCOPE OF APPRAISAL

This appraisal is intended as an update of the rent for a tidelands lease associated with a portion of the site of the Gitkov Dock facility in Auke Bay. The subject is a tidelands lease originally let in 1982 and due to expire in September, 2012. The lessor intends to enter into a new tidelands lease with the City and Borough of Juneau for an additional typical 35 year term.

The entire site is made up of two ATS surveys. ATS 1170 is 73,529 SF and the adjacent, bracketing Tracts A & B, ATS 1525 is 50,391 SF, which together comprise 123,920 SF, or nearly 2.5 acres. While the leases are separate in terms of legal descriptions and have varying term lengths, they function as a complete economic unit and are not easily separated. The subject of this appraisal is the original, center ATS 1170.

Appraisal Methodology

The most direct way to estimate market rent is by the Rent Comparison Approach. In this approach, the annual rent of similar properties is considered on a price per square foot basis. We identify comparable information through interviews with knowledgeable participants in the real estate markets such as local appraisers, other lessors and lessees, discussions with municipal property assessment personnel and others who are familiar with the real estate market in Southeast Alaska. A search was performed of similarly used properties in the communities throughout Southeast Alaska. Information was collected from reliable sources as available.

Our office maintains market data information on sales, transfers and on a geographic location basis for those rural properties not connected to a road system. Within each of these areas, the data is further segmented into commercial and residential properties. Within these divisions of separation are divisions for zoning and whether the properties are waterfront or upland parcels. Horan & Company, LLC maintains and continually updates this library of sale transactions throughout the Sitka and Southeast Alaska region and has done so for over 25 years.

1.2 IDENTIFICATION OF PROPERTY

The subject of this report is ATS 1170, Plat 82-43, Juneau Recording District, First Judicial District, State of Alaska. This survey details the center portion of the site of the Gitkov Dock facility adjacent to Auke Bay in Juneau, Alaska.

1.3 PURPOSE OF APPRAISAL, INTENDED USE AND USERS

The purpose of this summary appraisal is to determine the annual market rent based on the market rental rate for the land.

Intended use: This valuation is to be used to set market rent for a lease with five year rental adjustments based on a tidelands lease with the City and Borough of Juneau.

Intended users are the City and Borough of Juneau and John Gitkov and Jane Hawkins dba Gitkov Dock, et al, Lessee.

1.4 PROPERTY RIGHTS APPRAISED

The market rent estimate is for the property in fee simple interest less mineral rights[1] in its pre-development condition.

1.5 PARTIES TO THE TRANSACTION

Client and Ostensible Owner
City and Borough of Juneau

Lease Applicant
John Gitkov and Jane Hawkins dba Gitkov Dock, et al, Lessee

1.6 INSPECTION AND EFFECTIVE DATE

Timothy Riley made a personal inspection of the property that is the subject of this report on April 6, 2012.

The effective date of this appraisal is the inspection date. This has been confirmed by the office of the Director for the Port of Juneau.

1.7 PROPERTY HISTORY

The subject property was owned by the State of Alaska for many years. On September 24, 1982, the original applicant was issued a 30 year tidelands lease for a proposed fish processing plant. The lease was transferred to the present lessees in July of 1986 and the lease amended in June of 1987 for a proposed use of a commercial vessel staging, launching and loading area. The subject was extensively filled and developed for its intended use soon thereafter. The site was expanded in the 1995-99 time period with an additional tidelands lease composed of two tracts, one to each side of the subject, issued for the expansion area. The administration of the lease was transferred to the City of Juneau on February 8, 2001, under the condition only to lease and not to sell or transfer this type of property. The land was recorded as patented on July 10, 2002.

1.8 EXPOSURE TIME

The exposure time is estimated at 12 months on the subject property. This is based on observations of commercial sales throughout the region for a variety of commercial uses. The exposure time precedes an appraisal and is the exposure of the subject property to the general market, whereas marketing time is defined as the amount of time required to sell the subject property at the appraised value utilizing professional marketers and Realtors and is after the appraisal date. Other considerations in estimating this time includes the depth of supply, the availability of funds for purchase, depth of demand, and functional utility of the site and buildings. These are all essential in estimating these exposure and marketing times.

[1] Reserved by the State under AS 38.05.125(a)

1.9 ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal report and valuation contained herein are expressly subject to the following assumptions and/or conditions:

1. It is assumed the data, maps and descriptive data furnished by the client or his representative are accurate and correct. Photos, sketches, maps, and drawings in this appraisal report are for visualizing the property only and are not to be relied upon for any other use. They may not be to scale.
2. The valuations are based on information and data from sources believed reliable, correct and accurately reported. No responsibility is assumed for false data provided by others.
3. No responsibility is assumed for building permits, zone changes, engineering or any other services or duty connected with legally utilizing the subject property.
4. This appraisal was made on the premise that there are no encumbrances prohibiting utilization of the property under the appraisers' estimate of the highest and best use.
5. It is assumed the title to the property is marketable. No investigation to this fact has been made by the appraisers.
6. No responsibility is assumed for matters of law or legal interpretation.
7. It is assumed no conditions existed that were undiscoverable through normal diligent investigation which would affect the use and value of the property. No engineering report was made by or provided to the appraisers.
8. The building is reported to have some asbestos-containing material as is typical for buildings of its age and it is assumed that it would be removed or managed in place as is feasible for the operating highest and best use of the property. The existence of other hazardous material, which may or may not be present on the property, was not observed by the appraisers. The appraisers are not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.
9. The value estimates are made subject to the purpose, date and definition of value.
10. The appraisal is to be considered in its entirety, the use of only a portion thereof will render the appraisal invalid.
11. The appraiser shall not be required to give testimony or appear in court by reason of this appraisal with reference to the property described herein unless prior arrangements have been made.
12. The market rent is estimated for the tract with no value for improvements to the land or improvements on the land which are owned or leased by the lessee.

1.10 TERMINOLOGY

Market Value-

The most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

The Dictionary of Real Estate Appraisal, 5th Edition, Appraisal Institute, Pages 123

Market Rent-

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement including permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements.

The Dictionary of Real Estate Appraisal, 5th Edition, Appraisal Institute, Pages 121 & 122

Tidelands-

All areas which are at or below mean high tide and coastal wetlands, mudflats, and similar areas that are contiguous or adjacent to coastal waters and are an integral part of the estuarine systems involved. Coastal wetlands include marshes, mudflats, and shallows and means those areas periodically inundated by saline waters.

http://law.sc.edu/pathfinder/coastal_development/reference/definitions.shtml

Excess Land-

The land not needed to serve or support the existing improvement. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land may have the potential to be sold separately and is valued separately. See also surplus land.

The Dictionary of Real Estate Appraisal, 5th Edition, Appraisal Institute, Page 71

Surplus Land-

Land that is not currently needed to support the existing improvement but cannot be separated from the property and sold off. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. See also excess land.

The Dictionary of Real Estate Appraisal, 5th Edition, Appraisal Institute, Page 191.

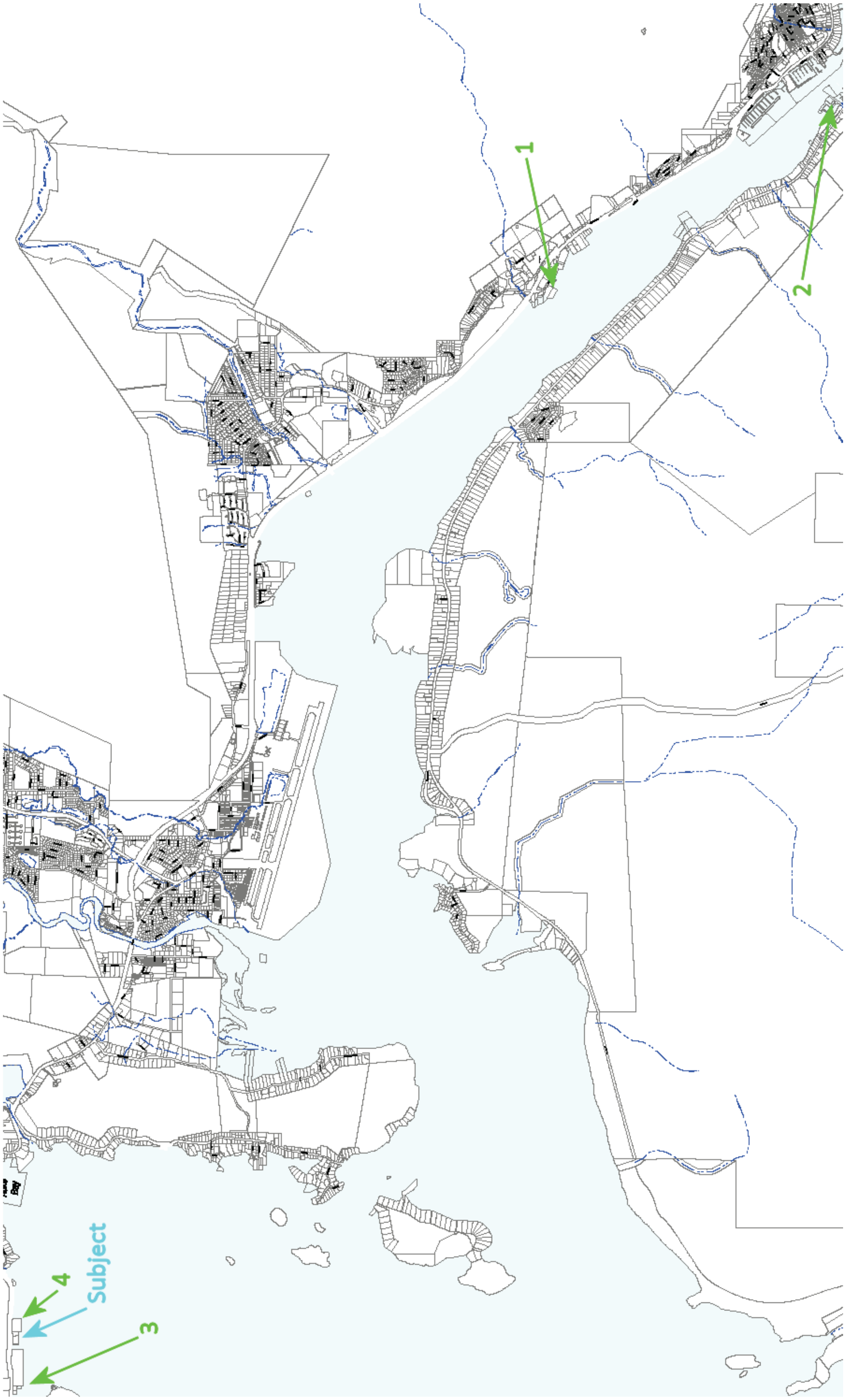


FIGURE 2 – JUNEAU ROAD MAP WITH SUBJECT AND COMPS

2 AREA ANALYSIS

2.1 INTRODUCTION

The subject property is at the east end of the waterfront industrial improvements along Glacier Highway, a two-lane highway along the northern shore of Auke Bay. As noted, the subject is a commercial dock, taking advantage of the good location with direct access to the highway link to downtown and the valley. The adjacent waterfront character is primarily industrial or commercial uses, with the Alaska Marine Highway facility, Allen Marine Dock and Alaska Glacier Seafoods all in the immediate neighborhood on the waterfront. Upland development consists primarily of the Stabler's Point municipal rock quarry.

This area has importance to Juneau due to its easy access to the marine attractions of Stephens Passage, Lynn Canal, Chatham and Icy Straits as well as the developed transportation infrastructure with the subject and the nearby ferry terminal. Other examples of the area's importance and desirable location are the subject commuter dock for the Greens Creek mine shuttle as well as a SEAL oil response barge, various on-site marine services, Allen Marine's tour dock, the Glacier Seafoods plant and the new CBJ fisherman's float as well as the ongoing development of the CBJ Statter Harbor in the east corner of the bay.

The existing tidelands lease allows the use of areas deep enough to moor medium draft vessels. Due to the limited land available for development, it is unlikely there will be any further intense industrial development in the area. The waterfront in this area is zoned Waterfront Industrial or Waterfront Commercial, with the upland portion zoned either residential or rural reserve.

2.2 JUNEAU AREA ANALYSIS

Demand for real estate is generally driven by population, and population is sustained by employment. The Juneau economy is driven by the major basic industry, state government. There had been a tendency to move state government, or significant portions, closer to Anchorage. This results in downsizing in the Juneau area. The office market has also expanded out of downtown Juneau into the Mendenhall Valley where less expensive space is available.

The tourism sector of the market has begun to stabilize after growth in the 1990-2008 time period. Much of this growth was aided by Juneau's intensive capital improvements for dock space downtown. As a regional hub, Juneau takes the lion's share of the tourism market acting as a starting point for Glacier Bay and other nearby scenic wilderness stops. Juneau's downtown waterfront area was developed, taking advantage of the tourists, which discharge into or near the downtown area. Annual visitation for cruise ship passengers was less than 400,000 in 1995 but increased steadily to over a million in 2008. This market has seen some softening due to economic factors, with estimates for the 2012 season of 925,000 passengers or 8% less than the 2008 peak. The softening of the tourism market in 2010 and 2011 and a change in passenger spending has led to a consolidation of providers and facilities in the industry as a whole.

There is significant growth occurring in the mining industry with the successful permitting, development and opening of the Kensington Mine, north of Juneau, which is supplementing the employment at the existing Greens Creek Mine on Admiralty Island. Both of these mines use Juneau as a base of housing for their remote operations, which are extensive.

FIGURE 3 – JUNEAU ECONOMIC INDICATORS BY THE JUNEAU ECONOMIC DEVELOPMENT COUNCIL (JEDC AND OTHER SOURCES COMPILED BY HORAN & COMPANY

Juneau's economy has been growing steadily since a mild downturn in the late 1980s. The housing market appears to be stable. The outlook for future development depends upon the economic sectors that the general real estate developments would serve. The forecast would be for stability overall as shown by the chart above.

3 PROPERTY DESCRIPTION

3.1 OVERALL DESCRIPTION

As noted, the subject tideland lease is comprised of an older ATS bracketed by a newer ATS composed of a pair of tracts. ATS 1170 is reported as 1.69 acres "more or less". An examination of the original appraisal notes a 73,529 SF parcel, or 1.6880 acres. The more exact square foot figure will be utilized for the purposes of this report. This slightly irregular tract is 300' across the face on Auke Bay and extends south between approximately 244' and 250' from the shoreline. The mean low water tide line area occupies approximately 75' to 80' of the site, with the remainder of the area submerged tidelands, extending into deep water. Note was made of a State of Alaska DOT encroachment permit for the extensive parking adjacent the highway. The lessee anticipates continuing their present use as a marine services and boat commuter related facility.

The appraiser was not provided with a current as-built survey of the subject site. There are significant improvements on the site, with concrete bulwarks and extensive parking as well as transfer bridges, temporary buildings and storage containers. The appraiser has referred to old appraisal reports as well as adjacent undeveloped shoreline to determine the characteristics of the original undeveloped site that the lease is based on.

Access

The site, as presently developed, has vehicular access by a driveway off site leading onto the subject tidelands from Glacier Highway as well as good marine access from the waters of Auke Bay.

Utilities

Public sewer, water and private power, trash collection, phone, cable and fuel, are available.

Zoning

The property is zoned Waterfront Industrial (WI). The WI, waterfront industrial district, is intended for industrial and port uses, which need or substantially benefit from a shoreline location. In addition, many of the uses that are allowed in the WC, Waterfront Commercial District, are also allowed in the WI, Waterfront Industrial District. The WC district allows for both land and water space for commercial uses, which are directly related to or dependent upon a marine environment. Such activities include private boating, commercial freight and passenger traffic, commercial fishing, floatplane operations, and retail services directly linked to a maritime clientele. Other uses may be permitted if water-dependent or water-oriented.

Assessed Valuation and Taxes

ATS 1170 is assessed by the City and Borough of Juneau and identified as 13395 Glacier Highway or assessment number is 4B3001020040. The current assessed possessory interest for the land is $136,200. The estimated total value of the site by the assessor is $359,300; with approximately 32% estimated as filled and valued at $12/SF and 68% estimated as submerged and valued at $1.50/SF. Significant improvements for the entire site were noted on this parcel. The typical mil rate in Juneau has been between 10.17 and 12 mils over the past few years and is 10.55 mils for fiscal year 2012.

Easements and Other Restrictions

There is no 50' pedestrian access easement, as is typical of tidelands leases seaward of the mean high water line. The adjacent ATS 1170 does not have one either. The pedestrian access was routed through the DOT right-of-way north of the subject tidelands due to safety and hazard concerns. This is viewed as a positive attribute of the subject leases. As noted, there is an encroachment permit allowing the parking, storage containers and concrete retaining walls in the in the highway ROW. The appraiser is unaware of any other easements or restrictions.

Topography

The following site details are from the 1982 appraisal. As noted, the site has since been improved and the original site characteristics have long since been covered. "The subject property lies below the line of mean high water, while approximately 1/3 of the tideland lies above the line of mean low water. The exposed area of the tideland(s) indicate(s) a rock and mud bottom with a moderate run out."

3.2 FUNCTIONAL UTILITY OF SITE

The tidelands are located in an ideal location for the support of the marine services function. The location close to the major marine access routes for points north, south and west highlights their appeal to the user. These tidelands function well for the intended use.

During lease rate negotiations over the subject ATS 1170 with the Docks and Harbors board in 2008, one of the characteristics of the site noted as a detriment was the westerly winds component. Discussions with the lessees and mariners who utilize the area note that this is a factor to all operations in the area. Part of the rationale for obtaining the lease for the adjacent ATS 1525 tracts was to provide maneuvering room, additional moorage space and protect the approaches to the existing dock on ATS 1170. While the weather component cannot be discounted, extensive adjacent development including a seafood plant, the marine highway terminal and the Allen Marine tourist dock as well as the new construction of the fisherman's float indicate the overall market appears to recognize the excellent location and moorage offset the detriments of the wind and weather exposure.

The subject also exhibits high functional utility to the user due to the lack of any other suitable protected moorages with deep water access in Juneau, especially on the northwest edge of town. The development of this parcel in any other area would be unlikely, or much more costly, due to zoning, the lack of suitable deep water access or competition from alternative waterfront uses such as residential or public recreation. Recognition of the difficulty of development or even availability of comparable sites must be recognized in the analysis of the available data.

All the lease documents have been provided. The lease closely follows a typical net lease similar to other state and city tidelands leases in the area. These leases are essentially total net leases.

3.3 SYNOPSIS OF LEASE

As noted, the subject is currently a state tideland lease from 1982. Reportedly, management was transferred to the borough in 2001. The last adjustment to the lease occurred in 2008 according to borough documents. The subject was appraised at that time for a lease adjustment, however the lessee appealed the adjustment and the lease rate on the subject was adjusted. The existing terms are as follows:

Legal Description/Leased Premises:	ATS 1170, Juneau Recording District, First Judicial District, State of Alaska
Lessor:	Dock and Harbor Board of City and Borough of Juneau as land manager
Lessee:	John Gitkov and Jane Hawkins dba Gitkov Dock, et al
Proposed Use:	Commercial-Industrial
Term of Lease:	30 years
Other Terms of Lease:	Typical full net lease indemnifying lessee.
Original Lease Date:	September 24, 1982 (with State of Alaska)
Rental Adjustment Period:	Every ten years thereafter, or as may be amended, based on estimated market value per AS 38.05
Original Use:	Proposed Fish Processing Plant
Amended Use:	Marine Services Dock
Expiry:	September 23, 2012 (with CBJ)
Initial Lease Period:	25 Years
Property Rights Included:	Normal rights conveyed by lease.
Property Rights Excluded:	No mineral or timber rights are conveyed by lease.
Lease Area:	1.69 Acres “more or less”; 73,529 SF
Original Lease Rate:	\$4,400; \$0.0598/SF
Existing Lease Rate:	\$8,097.98; \$0.1101/SF
Reversion of Improvements:	Not specified but typically able to be retained by lessee or its successor if all obligations of lease have been fulfilled.
Building/Site Improvements Included:	None. All improvements to be provided by lessee.

No current CBJ lease documents have been finalized. Based on interviews with Docks and Harbors personnel, it is expected that any new lease would closely follow similar tidelands leases in the area. These leases are essentially total net leases. The significant changes to the existing terms are presumed as follows:

Proposed Effective Date:	September 24, 2012
Proposed term:	35 Years
Rental Adjustment Period:	Every five years, based on estimated market value
Proposed Option to Renew:	Typical; additional 35 years
Easements:	None Noted.
Insurance:	Commercial General Liability and Property Insurance sufficient to meet the standard requirements of the Municipality.

4 FEE SIMPLE VALUATION

4.1 HIGHEST AND BEST USE

Highest and best use is defined as "the reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. Alternatively, the probable use of land or improved property– specific with respect to the user and timing of the use–that is adequately supported and results in the highest present value.

The Dictionary of Real Estate Appraisal, 5th Edition, Appraisal Institute, page 93

Marine-related industrial and commercial uses are the defining use for the subject tracts based on its zoning. The original site has been utilized as a marine servicing, commuter and tourist dock for the past 20 years or more and this facility is likely to continue to handle freight, passengers and generate revenues sufficient to service the existing lease payments. The subject site was enhanced through the addition of ATS 1525, and have expanded and somewhat modified their development plan to fully utilize the site since then. The site extends into deep water and appears sufficient for the needs of the lessee. The highest and best use of the site is for its continued use as a marine service center and commuter dock facility.

4.2 TIDELANDS RENTAL VALUE

I have inventoried dozens of sales and leases, and considered the most comparable on an overall annual rental basis to the subject proposed leased premises. The following table contains the most helpful data that shows what the area might lease for on a per square foot basis. The subject is one of the largest tidelands leases in the municipality, and while quite large, is not out of line with the other large operating sites, many of which are composed of fee owned uplands or tidelands in addition to the properties leased.

#/Comp		Transaction Description	Date	Size (SF)	Indicated Annual Rent	Annual Rent/SF
1	#4177 #7049	2691 Channel Drive (Channel Construction) Lot 2, ATS 7; ADL 2193 & ATS 1682 Tr B	05/10	83,069	$12,460.35	$0.15
2	#1744	3560 North Douglas Highway (Trucano) Tr A & B, ATS 842	05/10	43,865	$8,773.00	$0.20
3	#7309	13525 Glacier Highway (Ak. Glacier Seafoods Dock) ATS 1644	07/04	16,988	$ 2,530.00	$0.15
4	#1637	13395 Glacier Highway (Allen Dock) ATS 1533	08/09	187,352	$28,100.00	$0.15
Subject – ATS 1170			06/11	73,529	Solve	Solve


COMP 1 040712_0959

Comparable 1 is a recent rent of a portion of a larger economic unit close to town at 3 mile on Gastineau Channel. This large site is composed of fee owned lands as well as four leases, two of which are relatively current and examined here. The deeded filled tidelands adjacent to the leased sites are 21,401 SF and when viewed together the entire leased area is an additional ±132,000 SF. While access is shallow and inferior to the subject's good deep marine location, this site is well located close to town and is a well-protected anchorage. This observation would be ranked similar overall to the subject site, with the relatively shallow tidelands offset by the superior location. The level of utilization of this site is similar to the subject, with the entire site well developed and fully exploited as an industrial waterfront barge landing and construction yard.


COMP 2 041304_0784

Comparable 2 is a lease in Gastineau Channel adjacent to the Juneau Douglas Bridge. This current lease was originally let as filled uplands and the value of the lease reflects this superior attribute as compared to the subject. This ATS is part of an assemblage of a barge landing site and fuel tank farm with a superior waterfront location adjacent deep water in the center of town. This site, well protected and close to the town core next to the Bridge, is regarded as superior to the subject's more removed and exposed site and is given less weight. While the lease examined here is smaller than the subject site, when considered together with the site's adjoining leases as well as the fee owned portion, the overall area of the site exceeds 190,000 SF. There are a variety of commercial uses and subleases on this site, with a fuel depot, floating fuel dock, marina, construction yard and barge landing all intermixed. As can be seen from the higher rent of this portion of the site, the fill and superior town location could appear to play a part, however discussions with the lessee also attributes the higher rent to the complexity of the site's various property components and varying levels of improvements at the time of lease. Despite its intensive industrial use, similar to the subject, the nature of the leased property as filled makes this lease less comparable.


COMP 3 052709_6087

Comparable 3 is a relatively current dock lease for a nearby seafood processing plant. This lease is inferior in size and lack of access to the highway except through the adjacent upland owner, but similar in its extension into deeper water. It is superior in that it is all one parcel, rather than the discontinuous tracts of the subject. This recent observation helps to clearly show the level of rents and values in the neighborhood and is given weight in the analysis.

COMP 4 050108_3280

Comparable 4 is the rent of a large lease adjacent the subject's Tract B. This waterfront site is fully utilized for its tour business, with the access dock from the road permitted for encroachment, similar to the subject's permitted areas. This large site's lease rate shows the value of its location in Auke Bay, with the business model unlikely to succeed in any other location. Due to size and adjacent location, significant weight is given this indicator in the analysis.

Comparable 4 is adjacent to the subject. While larger, it has many similar characteristics and is given most weight. Comparable 3 is nearly adjacent on the other side of the ferry terminal and is also given significant weight. Comparable 1 and 2 comprise some of the most current lease data available and are also considered. Comparable 1, albeit in a less similar, superior location with inferior waterfront characteristics is given more weight than Comparable 2, leased as filled and a significantly higher indicator. When considered as a group, all the rental indicators examined suggest a fair value at $0.15/SF.

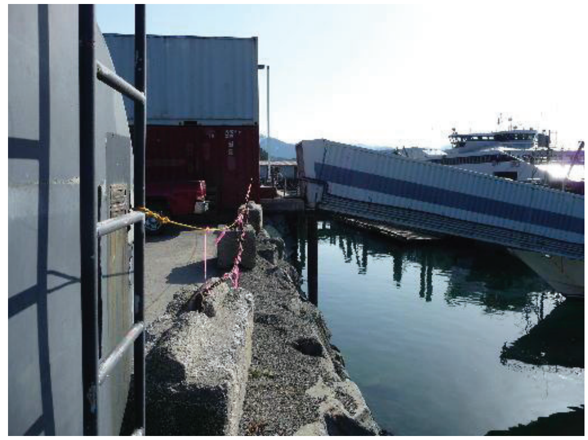
Based on the foregoing, the Market Rental Value Conclusion is as follows:

73,529 SF @ $0.15/SF = $11,029.35/year
$11,030, rounded

ADDENDA

SUBJECT PHOTOGRAPHS

SUBJECT LOOKING SEAWARD. ALASKA MARINE HIGHWAY MARINE SERVICE USE UNDERWAY.
040612 0905



LOOKING ALONG DEVELOPED WATERFRONT ON TOP OF CONCRETE BULKHEAD 040612_0913

SUBJECT LEASE WITH DOCUMENTED VESSEL USED AS MARINE SERVICE BASE. 040612_0936

ON SITE PARKING BELOW HIGHWAY
040612_0896

DRIVEWAY SERVING LOWER PORTION OF FILLED ATS AREA 040612_0897

ENCROACHING PARKING AND GLACIER HIGHWAY FRONTAGE 040612_0891

SUBJECT PHOTOGRAPHS

NOTE ATS 1170 BULWARK DEVELOPMENT
040612_0916

TRANSFER BRIDGE TRANSITIONING FROM FILLED AREAS TO MARINE SERVICE AREAS. 040612_0920

QUALIFICATIONS OF TIMOTHY W. RILEY

Education:	Graduated from Roosevelt High School, Des Moines, Iowa Attended University of Iowa, Iowa City, Iowa Attended Fairhaven College, Western Washington State College, Bellingham Attended University of Alaska Southeast, Juneau, Alaska Attended Sheldon Jackson College, Sitka, Alaska
Employment:	August 2004 to Present Real Estate Appraiser - Horan & Company LLC November 2001 to August 2004 Real Estate Appraiser - Horan, Corak and Company 1990 to Present Experience in residential and income property management, rehabilitation, and new construction. July 1994 to November 2001 Foreman, Packing Room - Sitka Sound Seafoods, Sitka, Alaska January 1987 to July 1994 Laborer, Packing Room - Sitka Sound Seafoods, Sitka, Alaska June 1986 to November 1986 Docent - Isabel Miller Museum, Sitka, Alaska 1976 to 1986 Various occupations including clerk, mailman, gardener, laborer, etc. in Juneau, Alaska
Certification & Approvals:	Residential Real Estate Appraiser Certification, State of Alaska, January, 2004; #422 FHA Approved, September 2004 Approved Appraisers List: USA Federal Credit Union; RELS Valuation Services; First Bank; Alaska Pacific Bank; Chase Manhattan; Eagle Home Mortgage; Residential Mortgage; First National Bank, Alaska, ALPS Federal Credit Union VA Approved, July 2007 #0065 General Real Estate Appraiser Certification, State of Alaska, October 2007; #685
Appraisal Education:	Appraisal Principles, Course 110, Appraisal Institute, Chicago, IL, January, 2002 Appraisal Procedures, Course 120, Appraisal Institute, Las Vegas, NV, March 2002 Residential Case Study, Course 210, Appraisal Institute, Chicago, IL, May 2002 Standards of Professional Practice, Part A, (USPAP), Course 410, Appraisal Institute, Chicago, IL, May 2002 Basic Income Capitalization, Course 310, Appraisal Institute, Chicago, IL, October 2003 Online FHA and The Appraisal Process, Appraisal Institute, Chicago, IL, July 2004 Uniform Standards of Professional Appraisal Practice - 2005 Update, Juneau, AK, April 2005 Fannie Mae Residential Forms Update 2005, Juneau, AK, August 2005 General Applications, Course 320, Appraisal Institute, Plano TX, October 2006 Online Uniform Standards of Professional Appraisal Practice - 2007 Update, Chicago, IL, May 2007 General Appraiser Report Writing & Case Studies, Course 405G, Appraisal Institute, Plano TX, November 2008 Uniform Standards of Professional Appraisal Practice - 2009 Update, Juneau, AK, June 2009 Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA), Appraisal Institute, Sacramento, CA, Dec 2010

Uniform Standards of Professional Appraisal Practice - 2011 Update, Juneau, AK; June 2011
Current Issues & Regulatory Updates Affecting Appraisers #10066; William King & Associates, Inc.; Juneau, AK; June 2011
Loss Prevention Program for Real Estate Appraisers; LIA Administrators & Insurance Services; Juneau, AK; June 2011
Predictive Modeling With Microsoft Excel, Course 3A; The Office of the State Assessor, Alaska; Ketchikan, AK; December 2011

Types of Property Assessed for Taxation:

City of Craig real property assessment roll; commercial, single-family, multi-family and mobile homes.
City of Skagway real property assessment roll; commercial, single-family, multi-family and mobile homes.
Ketchikan Gateway Borough Annexation, Inspection of sites, creation of real property assessment roll, commercial, single family, recreational cabins and lands , large mining and forestry tracts, mining claims, lodges, recreational and commercial forest use permits.

Types of Property Appraised:

Residential - Single-family, multi-family, vacant land, relocations, mobile homes, condominiums, attached homes, as-proposed residential development, islands, and remote residential.
Commercial - Office buildings, bank buildings, retail buildings, apartments, warehouses, docks, real estate for value as a going concern with fixtures such as hotels, B & B's & liquor stores, as-proposed commercial development, rent consultation, subdivision analysis, industrial property, remote lands, remote lodges, lease valuations and vacant lands.

Expert Witness Testimony:

Board of Equalization Hearing testified on behalf of Ketchikan Gateway Borough

Goldbelt
3075 Vintage Blvd., Suite 200, Juneau, Alaska 99801-7109 (907) 790-4990 Fax (907) 790-4999

September 20, 2012

Mr. Carl Uchytil
Port Director
City and Borough of Juneau Docks and Harbors
155 S. Seward Street
Juneau, AK 99801

Re: Mount Roberts Tramway Rent

Dear Mr. Uchytil:

Goldbelt Aerial Tramway, Inc., formerly Mount Roberts Development Corporation (Goldbelt), wishes to provide the following comments in follow up to the Docks and Harbors subcommittee meeting on September 18, 2012 regarding the rent issue:

1. Goldbelt is not, at this time, going to undertake another appraisal using the methodology used by the City's appraiser, Mr. Horan. Goldbelt stands by the Reliant appraisal. As Goldbelt understands the subcommittee's reasoning, even negotiating with Goldbelt utilizing the Reliant appraisal, would be to give credence to the methodology utilized by Reliant; a methodology the City rejects. Under the City's reasoning, then, if Goldbelt negotiates with the City utilizing the Horan appraisal, that is to give credence to the Horan methodology, which Goldbelt rejects. So, under the City's reasoning, Goldbelt should refuse to negotiate until the City secures an appraisal utilizing the Reliant methodology. The City's reasoning for refusing to negotiate until Goldbelt comes up with an appraisal that uses the Horan methodology leads the parties to a dead end. The City should reconsider its position, and instead proceed to negotiate with Goldbelt to arrive at a rent compromise.

2. The City's present rejection of the Reliant methodology stems from the City's rejection of Goldbelt's legal position, that in determining the fair market value of the unimproved property, the use restrictions imposed by the lease itself must be considered. Yet the City's rejection of that legal position is apparently based on (i) a subcommittee member's review of some of the cases cited in Goldbelt's legal opinion, (ii) that same subcommittee member's discussions with assistant City attorney Amy Mead, and (iii) some emails of

Ms. Mead's. None of that appears to be a properly researched and reasoned legal opinion sufficient to form a basis for rejecting Goldbelt's legal position. Before proceeding, the City should secure and provide to Goldbelt its own legal opinion on whether the use restrictions of the lease must be considered in appraising the fair market value of the unimproved land. By doing so, the parties will be placed on equal footing regarding their legal positions.

3. Anticipating the City's concerns about the Reliant methodology, Goldbelt has secured and included two review appraisals with this letter which approve of the Reliant methodology, including the legal opinion that the appraisal must consider the lease's use restrictions.

4. As one subcommittee member said, "the only way to know for certain whether lease use restrictions need be considered, is to secure a ruling from a judge"; to be more precise, the Alaska Supreme Court. Resolution by the Court of the legal issues in this case holds significant risks for both parties. For Goldbelt, the viability of the tram is at issue. The City risks an adverse precedent that could reduce the rent it receives on many of its leases. Given those risks, it behooves both parties to reach a reasonable accommodation without resort to the courts.

Sincerely,

Derek Duncan

Derek Duncan
Vice President of Operations

cc: Docks & Harbors Board
Bob Loiselle, President & CEO, Goldbelt
Robert S. Spitzfaden, Attorney at Law

APPRAISAL REVIEW ASSOCIATES

An Affiliation of Kenneth Jay Gain, MAI, SRS, CCIM, CRE and Franklin M. King, Jr. MAI
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Telephone:279-8551 Facsimile: 274-7630

August 30, 2012

Mr. Derek Duncan, Vice President
Goldbelt, Inc.
3075 Vintage Blvd., Suite 200
Juneau, AK 99801

Re: Review of appraisal of Mt. Roberts Tram Site, CBJ Land Lease, 490 S. Franklin, Juneau, Alaska, completed by Per E. Bjorn-Roli, MAI, dated July 10, 2012, (Our File #12-1222)

Dear Ms. Duncan:

In accordance with our agreement, I have completed a technical review of the appraisal of Mt. Roberts Tram Site, CBJ Land Lease, 490 S. Franklin, Juneau, Alaska that was prepared, signed and certified by Per E. Bjorn-Roli, MAI. My appraisal review was completed without a field inspection of the subject property or the comparable sale properties, *i.e.*, a "desk" review was performed. The scope of the review included a check for consistency as well as a check of all mathematical calculations. I did not independently confirm the market data utilized in the appraisal.

In addition to the appraisal report itself, I also reviewed the following:

- A legal opinion dated June 20, 2012 written by Attorney Robert S. Spitzfaden concerning the legal uses of the property appraised and the impact on the property's Highest and Best Use.
- A memorandum dated August 24, 2012 written by Carl Uchytil, Port Director for the City and Borough of Juneau, outlining this issues relating to the valuation of the property appraised.
- A limited appraisal review dated August 9, 2012 written by appraiser Charles E. Horan, MAI in which he also reviews the subject appraisal and summarizes the difference between it and his appraisal of the same property dated March 9, 2012.

The appraisal process was complete in scope and the appraisal report meets the USPAP definition of and local standards for a **"Summary"** report. The appraiser's opinion of Market Value for the **fee simple interest** was reported as follows:

"As Is" Market Value	**\$0—Zero**	**As of July 1, 2012**

As a result of the review process, I find that:

1. The content, analyses, and conclusions in the appraisal report are in substantial compliance with the current edition of the Uniform Standards of Professional Appraisal Practice (USPAP).

2. The appraisal was based on an adequate quantity of relevant data and proper adjustments to the data were made where appropriate.

3. The appraisal methods and techniques used were appropriate for the valuation problem.

4. The analyses, opinions, and conclusions in the report, **except for issues discussed below**, were appropriate and reasonable given the data and analyses presented.

The major issue in this appraisal, and the basis for the substantial difference in the opinions of value between Mr. Bjorn-Roli and Mr. Horan, is the opinion of Highest and Best Use. In the development of his opinion of the Highest and Best Use of the property, Mr. Bjorn-Roli does so in reliance upon the following extraordinary assumption:

> "*A legal opinion relating to the subject's highest and best use prepared by Robert S. Spitzfaden on behalf of Goldbelt, Inc. is presented in the Addendum. This legal opinion establishes that, due to the lease language and conditional use permit in place on the subject site, the only legally permissible use of the subject site is a tram site and that therefore the highest and best use of the site for establishing market value/rent is limited to tram use. While this legal opinion appears reasonable and is consistent with the appraiser's judgment, the appraiser is not an attorney and is not qualified to make a definitive legal finding. Therefore, it is an extraordinary assumption of this report that the legal opinion set forth by Mr. Spitzfaden is correct and that, due to the conditional use permit and lease language, the legally permissible uses of the subject site are restricted to aerial tramway use, which essentially renders the site as an uneconomic parcel. While a formal value estimate has not been completed at this time, it is noted that in absence of the aerial tramway use restrictions, the subject's highest and best use would be cruise ship dependant retail, whose economics would justify a higher value of the site, assuming that is a legal use.*"

When an appraiser relies upon an opinion of another expert in developing an opinion, the appraiser must "*have a reasonable basis for believing that those individuals performing the work are competent*".[1] Likewise, in reviewing the appraisal and rendering my opinion concerning it, I also must have a reasonable basis to rely upon Mr. Spitzfaden's opinion. For this reason, and because Mr. Horan expresses doubt about the lease language restricting the legal uses of the property, I carefully reviewed Mr. Spitfaden's opinion. While I am not a lawyer, I have reviewed the language in hundreds of leases and am quite familiar with typical lease language governing appraisals for adjusting lease rents. Mr. Horan states, "*When the lease instructs the appraiser to estimate highest and best use* ***fair market value*** *of the land as though vacant for the application of a rental formula, it is appropriate to estimate the fair market value at its highest and best use not constrain (sic) by the lease terms*." Mr. Horan is correct in stating this is common practice. However, it is also common for the lease to contain language instructing the appraisers **to make their appraisals without considering the lease.** **<u>This lease does not contain that instruction.</u>** It is therefore my opinion that Mr. Spitzfaden's opinion is correct and

[1] See Uniform Standards of Professional Appraisal Practice, 2012-2013 edition, Standards Rule 2-3, page U-30

that Mr. Bjorn-Roli was therefore correct in arriving at the opinion, that since the only legal use of the property during the remaining term of the lease is as a site for a tram terminal, that use is therefore its Highest and Best Use.

If the Highest and Best Use is a site for a tram terminal, the appraiser must then appraise the property subject to that use. If there were sales of other tram terminal sites that could be analyzed, then it would be appropriate to appraise the property using the Sales Comparison Approach. However, since there are no comparable sales of property with the same use, the only method available for valuing the property is the Land Residual Technique. I agree with both appraisers that the Land Residual Technique is most commonly used for performing feasibility analyses and that it is one of the least reliable methods of estimating land value due to the many assumptions that must be made in applying it. However, **it is an accepted method for valuing land[2],** and given the circumstances for the appraisal of this property, based upon the appraiser's opinion of the Highest and Best Use, **is actually the only technique available.** It is therefore my opinion, that Mr. Bjorn-Roli was correct in using this technique to develop his opinion of the value of the subject property.

As noted above, there are many assumptions that must be made in utilizing the Land Residual Technique and as a result different appraisers will arrive at different value opinions. As a reviewer it is not necessary for me to develop independent opinions of the assumptions to be used. Rather, I only need to develop an opinion as to whether or not the assumptions used by the appraiser were reasonable and supported by market data. In my opinion, Mr. Bjorn Roli's assumptions were reasonable and supported by market data, except for the following:

- In cases where there is a depressed market, or in which new construction is not feasible due to external obsolescence (*as exists in the subject case*), it is the opinion of many appraisers that an entrepreneurial incentive (*referred to as Developers Margin in this appraisal*) should not be included in a Replacement Cost Estimate. If that amount were excluded in the subject case, the Improved Going Concern Net Operating Income (*calculated on page 81 of the appraisal*) would be reduced from $2,136,588 to $1,780,490, but this would not change the final value opinion.

Although I am of the opinion that Mr. Bjorn-Roli's opinion of the Highest and Best Use is correct, that his use of the Land Residual Technique is appropriate and that the assumptions used in the appraisal were reasonable and supported by market data, it is also my opinion that his final opinion of value **is not correct**. The legal limitations on Highest and Best Use are not perpetual and will expire at the end of the lease term when the property could then be developed for some other use. The appraisal should have included an estimate of future value at the termination of the lease and then discounted that estimate to a net present value at an appropriate discount rate, which would be the appropriate "As Is" Market Value, and which would be greater than zero. However, as a practical matter, under any reasonable assumptions, that value when multiplied by the lease rate (*either 8% or 10%*), will result in a rent calculation that is less than the minimum rent provided for in the lease. For example, if no inflation or value appreciation is assumed, and it is assumed that the future value at the termination of the lease (*18 years plus 35 year option*), without the use restrictions, would be the same as Mr. Horan's value estimate of $3,300,000, the indicated net present values at various discount rates are as follows:

[2] Per ***The Appraisal of Real Estate*** (13th edition, 2008), published by the Appraisal Institute, page 512, **"*The land residual technique allows an appraiser to estimate land values when recent data on land sales is not available.*"**

DISCOUNT RATE	NET PRESENT VALUE
5%	$248,589
6%	$150,419
7%	$91,447
8%	$55,854

This letter and the attached statement of assumptions and limiting conditions, certification and appraisal review checklist constitute my review report. In addition to your institution, its officers and directors, the intended users of the appraisal review include all of the parties named as users in the appraisal plus appropriate officials of the City and Borough of Juneau.

Please call me at 279-8551 if you have any questions.

Sincerely,

Kenneth Jay Gain, MAI, SRS, CCIM, CRE
Review Appraiser

Attachments: Assumptions & Limiting Conditions
Certification
Appraisal Review Checklist

I did not include a copy of my Professional Qualifications, but they can be downloaded at www.KenGain.com .

EQUIVEST
REALTY ADVISORS, INC.

5313 Arctic Blvd., Suite 206
ANCHORAGE, ALASKA 99518

PHONE (907) 279-8551 FAX (907) 274-7630

August 30, 2012

Mr. Derek Duncan, Vice President
Goldbelt, Inc.
3075 Vintage Blvd., Suite 200
Juneau, AK 99801

STATEMENT

Re: Review of appraisal of Mt. Roberts Tram Site, CBJ Lease, 490 S. Franklin, Juneau, Alaska completed by Per E. Bjorn-Roli, MAI dated July 10, 2012, our File #12-1222

9.2 hours @ $295 per hour = $2,714

MAXIMUM FEE PER OUR AGREEMENT--$2,000

APPRAISAL REVIEW ASSOCIATES

5313 Arctic Blvd., Suite 206
Anchorage, AK 99518

Kenneth Jay Gain, MAI, SRS, CCIM, CRE
Phone: (907) 279-8551
Fax: (907) 274-7630

Franklin M. King, MAI

APPRAISAL REVIEW CHECKLIST

Client Customer Name:	Goldbelt, Inc.—Derek Duncan, Vice President
Appraiser:	Per E. Bjorn-Roli, MAI
Subject Property:	Mt. Roberts Tram Site, CBJ Lease, 490 S. Franklin, Juneau, Alaska
Review Appraiser:	Kenneth Jay Gain File No. 12-1222

Factual Data Summary	**Comments:**
1. Date of appraisal report.	July 10, 2012
2. Market value "as is" and effective date.	$0—Zero, As of July 1, 2012 **(See Comments)**
3. Prospective market value "at completion" and effective date.	N/A
4. Prospective market value "at stabilization" and effective date.(*Or Aggregate Retail Value for subdivisions and condominium projects*)	N/A
5. Any non-realty rights correctly identified?	N/A
6. Was an appropriate summary of salient facts and conclusions applied?	Yes

Identification of Property and Value Definition	**Adequate Yes**	**Inadequate No**	**N/A**
7. Was the correct legal description and source given?	X		
8. Were the real property rights correctly identified?	X		
9. Were any special provisions contained in the instrument which created the appraised estate properly described?	X—Subject	Land Lease	
10. Were prior sales, listings, contracts, or options considered, analyzed, and disclosed for the subject history?	X		
11. Was the function and purpose of appraisal given?	X		
12. Was the scope of work for the appraisal assignment adequate?	X		
13. Did the appraiser fully disclose the scope of work in the assignment?	X		
14. Was the correct value definition used?	X		
Identification of Economic and Environmental Factors			
15. Relevance and adequacy of regional and city economic data.	X		
16. Relevance and adequacy of neighborhood analysis.	X		
17. Were emerging trends in land usage properly addressed?	X		
18. Was the availability and adequacy of public utilities addressed?	X		
19. Was the analysis of ad valorem taxes properly developed and identified for the subject property?	X		
20. Was an adequate analysis of legal restrictions on use other than zoning applied?	X		

Description of Site	Adequate Yes	Inadequate No	N/A
21. Description of shape and size of site.	X		
22. Description of topography features	X		
23. Description of drainage and any flood plain conditions.	X		
24. Was the site sketch or survey included?	X		
25. Analysis of functional adequacy of the site.	X		
26. Description of ingress and egress.	X		
27. Description of surrounding properties.	X		
28. Description of nuisances and hazards.	X		
29. Analysis of soil and subsoil conditions.	X		
30. Description of zoning restrictions affecting the site.	X		
31. Description of easements and encroachments on the site.	X		
Physical Description of Improvements			
32. Were adequate photographs of the improvements included?	X		
33. Was a sketch or improvements plans with dimensions included?	X		
34. Was the description of construction components appropriate?	X		
35. Was the description of the quality of construction adequate?	X		
36. Was the description of the current condition of the improvements adequate?	X		
37. Was there an appropriate analysis of the adequacy of design, layout, etc., included?	X		
38. Was the physical age of the improvements given?	X		
39. Was the effective age of improvements estimated?	X		
40. Was the remaining economic life of improvements given?	X		
41. Was the functional utility of improvements addressed?	X		
42. Was an appropriate description of improvements compatibility with surrounding uses provided?	X		
43. Were the specific plans and specifications for any proposed work identified? (Required same as #3)			X
44. Was the adequacy of site improvements for the existing or proposed use addressed?	X		
45. Was an adequate description of equipment, fixtures, and chattel property supplied?			X
Highest and Best Use Analysis and Conclusions			
46. Was the best use of the site "as though vacant" analyzed?	X		
47. Was the best use of the property "as improved" or proposed to be improved analyzed?			X
48. Was the highest and best use estimate of the site as well as the overall property consistent with the purpose of the appraisal?	X		
49. Were the physically possible uses properly evaluated?	X		
50. Were supply and demand factors properly considered in the evaluation of the financially feasible use?	X		

	Adequate Yes	Inadequate No	N/A
51. Were the concluded best use(s) the optimal combination of legal, physical, and financially feasible uses?	X		
52. Did the appraiser evaluate the economic feasibility of the concluded best uses? (Required same as #3)	X		
53. Was the timing of any proposed use or change in use properly considered in the report? (Required same as #3)			X
54. Did the report verify all studies prepared by other parties to the extent any such third party assumptions were utilized?	X—Legal	Opinion	
55. Did the report explain the acceptance or rejection of any such third party studies or assumptions and the impact on value?	X		
56. Was the expected marketing period estimated?	X		
Cost Approach Analysis and Conclusions			
57. If the cost approach was excluded, was proper justification supplied?			X
58. Did the report include photographs of land comparables?			X
59. Did the report include a sales map including the subject location?			X
60. Was the site valued "as though vacant and available" for its highest and best use?			X
61. Was the site value estimate based upon sales which had a use comparable with the subject site?			X
62. Was enough information given about comparables to support their analysis?			X
63. Were all adjustments for differences supported with market data or a logical analysis in an adjustment grid?			X
64. Were all sales adjusted for cash equivalency?			X
65. Were the comparables sales adequate and properly analyzed?			X
66. Was the reproduction cost estimate properly documented and supported?	X		
67. If replacement cost was used, were the elements of functional obsolescence loss which were eliminated properly described?			X
68. Were all costs of production included and consistent with effective date(s) of valuation or condition of the improvement?	X		
69. Were losses due to physical deterioration, functional, and external obsolescence properly supported?	X		
70. Was the contributory value of site improvements included?	X		
71. Was an entrepreneurial profit applied and explained?	See	Comments	
72. Was the "as is" value appropriately developed and reported?	X		
73. If required by the assignment letter, were the values "as of completion" and "as of stabilized occupancy," appropriately developed and reported? (Required same as #3 and #4.)			X

	Adequate Yes	Inadequate No	N/A
Sales Comparison Approach Analysis and Conclusions			
74. If the sales comparison approach, or market approach, was excluded, was proper justification supplied?	X		
75. Did the report include photographs of comparables?			X
76. Did the report include a sales/subject location map?			X
77. Did the analysis demonstrate the comparable sales were physically and economically similar to the subject property?			X
78. Was the highest and best use of the sales similar to the subject property?			X
79. Were all sales adjusted properly for cash equivalency?			X
80. Were the sales properly compared to the subject?			X
81. Were the comparable sales adequately & properly analyzed?			X
82. Were all adjustments for differences supported with market data or a logical analysis? (Adjustment or ranking grid)			X
83. Was the "as is" value appropriately developed and reported			X
84. If required by the assignment letter, were the values "at completion" and "at stabilized occupancy" appropriately developed and reported? (Required same as #3 and #4.)			X
85. Was the value estimate(s) consistent with the data presented?			X
Income Capitalization Approach Analysis and Conclusions			
86. If the income capitalization approach was excluded, was proper justification supplied?	Land	Residual	Technique
87. Did the report include comparable rentals/subject property location map?			X
88. Did the report include comparable rental photographs?			X
89. Was the actual income and expense history of the subject supplied?			X
90. Were all leases properly reviewed and described, including the rent roll?			X
91. Were the comparable rentals properly described and compared to the subject property?			X
92. Did the comparables reflect uses which were comparable to the highest and best use of the subject property?			X
93. Were any adjustments applied to the rental comparables supported with market data or a logical analysis?			X
94. Were the comparable rentals adequate and properly analyzed?			X
95. Did the report establish whether the existing leases were at market rents and terms?			X
96. Was the expense forecast properly supported with comparable financial data?			X
97. Were replacement reserves properly handled?	X		
98. Was the reconstructed operating statement properly related to the historical data of the subject property?	X		

	Adequate Yes	Inadequate No	N/A
99. Were all appropriate deductions and discounts applied or accounted for in the analysis?	X		
100. Were rent concessions properly considered in the discounted cash flow (DCF) analysis?			X
101. Were leasing commissions considered in the DCF analysis?			X
102. Were sales commissions and sales costs properly addressed in calculating future sale net proceeds?			X
103. Was the indicated projection period for the DCF analysis adequately supported?			X
104. Was the terminal capitalization rate utilized to estimate future property value in the DCF analysis technique properly supported?			X
105. Was the selection of the direct capitalization rate or DCF technique properly supported?	X		
106. Was each element of the capitalization or DCF technique supported with market data?	X		
107. Were non-realty components of value properly separated from the real estate interest?	X		
108. Was the impact of leases and other legal limitations properly considered if the fee simple estate was being valued?	X		
109. Was the "as is" value appropriately developed and reported?	X		
110. Did the report analyze current market conditions and trends that will affect projected income or the absorption period to the extent they affect the value of the subject property?	X		
111. If required by assignment letter, were the values "at completion" and "at stabilized occupancy" appropriately developed and reported? (Required same as #3 and #4.)			X
112. Was the final value estimate consistent with the data presented?	X		
Reconciliation and Final Value Conclusion(s)			
113. Was the quantity and quality of the data used in the report properly evaluated?	X		
114. Was the reliability of the value opinions properly described?	X		
115. Did the report specify the effective date or dates of the value opinions?	X		
116. Was the "as is" value appropriately developed and reported?	See	Comments	
117. If required by the assignment letter, were the values "at completion" and "at stabilized occupancy" appropriately developed and reported? (Required same as #3 and #4.)			X
118. Was the overall analysis logical, rational, and consistent?	X		
Appraiser's Certification and Statement of Limiting Conditions			
119. Did the principal appraiser certify that he or she personally inspected the subject property?	X		

	Adequate Yes	Inadequate No	N/A
120. Did all appraisers certify that they had no present or contemplated future interest in the appraised property?	X		
121. Did all appraisers attest to the factual accuracy of the information presented?	X		
122. Did all appraisers attest to who prepared the analysis, conclusions, and opinions in the report?	X		
123. Was the certification signed by all appraisers who prepared the appraisal?	X		
124. Did the certification attest that the appraisal was not based on a required minimum valuation, specific valuation, or the approval of a loan?	X		
125. Did the report set forth all pertinent limiting conditions in one physical location?	X		
126. Were the limiting conditions appropriate for the valuation problem?	X		
127. Does the report identify the client and other intended users?	X		
Overall Report Rating			
128. Does the appraisal comply with the institution's written appraisal policies?			X
129. Does the report comply with the requirements of the assignment specified in the engagement letter?	X		
130. Was the level of detail contained in the appraisal commensurate with the complexity of the valuation problem and property type?	X		
131. Did the appraisal contain sufficient information to support the value opinion(s)?	X		
132. Were any material appraisal deficiencies noted which might affect the reported value opinions?	See	Comments	

COMMENTS

All comments are included in the Letter of Transmittal.

Appraisal Reviewed By:

Date: August 30, 2012

Kenneth Jay Gain, MAI, SRS, CCIM, CRE

ASSUMPTIONS AND LIMITING CONDITIONS

1. This review report is based on data and information contained in the appraisal report that is the subject of this review and on additional information from appropriate sources.

2. It is assumed that the data and information are factual and accurate,

3. The review appraiser reserves the right to consider any additional data or information that may subsequently become available and to revise the opinions and conclusions in this report if such data and information indicate the need for such a change.

4. All of the assumptions and limiting conditions contained in the appraisal report that is the subject of this review are also conditions of this review unless otherwise stated.

5. If the appraisal was not ordered by the client to whom this review is addressed, it is assumed that the appraisal was transferred in accordance with FIRREA.

REVIEWER CERTIFICATION

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct

- The reported analyses, opinions, and conclusions in this review report are limited only by the assumptions and limiting conditions stated in this review report, and are my personal, unbiased professional analyses, opinions, and conclusions.

- I have no present or prospective interest in the property that is the subject of this review report and I have no personal interest with respect to the parties involved.

- I have performed no other services, as an appraiser or in any other capacity, regarding the property that is the subject of the work under review within the three-year period immediately preceding acceptance of this assignment.

- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

- My engagement in this assignment was not contingent upon developing or reporting predetermined results.

- My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or use of, this review report.

- My analyses, opinions, and conclusions were developed and this review report was prepared in conformity with the requirements of the Code of Professional Ethics and Uniform Standards of Professional Appraisal Practice of the Appraisal Institute.

- I did **not** personally inspect the subject property of the report under review.

- No one provided significant professional assistance to me during the review process.

- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

- As of the date of this report I have completed the continuing education program of the Appraisal Institute. I am also certified by the States of Alaska and Hawaii as a General Real Estate Appraiser, and have completed the required continuing education requirements.

Kenneth Jay Gain, MAI, SRS, CCIM, CRE

August 30, 2012
Date

September 11, 2012

Mr. Derek Duncan
Vice President of Operations
Goldbelt, Incorporated
3075 Vintage Blvd. – Suite 130
Juneau, Alaska 99801

RE: Technical Appraisal Review
Reliant Advisory Services – Per Bjorn Roli, MAI
Property located at 409 South Franklin St., CBJ Ground Lease
Juneau, AK.
Hilco REA File No. 2012 080112 267

Dear Mr. Duncan:

In response to your request I have completed a technical review of the above referenced appraisal, prepared by Mr. Per Bjorn-Roli of the firm Reliant Advisory Services. The purpose of my review is to state my opinion of the propriety of Mr. Bjorn-Roli's report methodology, and the analysis applied in his appraisal report of the subject property.

The **intended use** of this report is to develop and report a credible opinion of the work product prepared on behalf of Goldbelt, Inc., in light of compliance with reporting requirements and stated within the body of the report itself. The **intended users** of the review are Goldbelt, Inc., and its duly authorized employees, to use in conjunction with their ongoing negotiations with the City and Borough of Juneau (CBJ) for renegotiation of a ground lease between CBJ as lessor and Goldbelt, Inc. as lessee. The report under review was intended to value the subject in accordance with the lease in its prospective hypothetical condition as vacant and unimproved land at the time of a scheduled lease adjustment, understood to be July 1, 2012. Intended user of this review is Goldbelt, Inc. The date of this review is September 11, 2012.

The review is written with the intent of complying with Standards Rule 3 of USPAP, (including SMT - 1 and Advisory Opinion AO-6) as outlined by The Appraisal Foundation under USPAP. In so doing, the scope of the review is technical, as opposed to an administrative review, and I am not rendering a separate opinion of the value of the subject property based on the data presented in the report.

Underlying Assumptions and Limiting Conditions, Copy of Certification Page, and my Professional Qualifications are included in this review. Further, I have no direct or indirect present or contemplated future interest in the property that is the subject of this appraisal, nor any monetary benefit from its sale or potential receipt of proceeds of a loan.

The format of the report under review is a summary format of a narrative report. My reliance on statements and conclusions assumes that the data used in reaching the conclusions presented within the report are consistent with a summary format narrative report.

Standard of Review:
The standard of review presumes that the appraiser is competent and qualified to complete the specific assignment as so stated within the report, and deference is given to their abilities to perform the assignment in a competent manner and in compliance with USPAP, and any other contractual agreements between the appraiser and client. Mr. Bjorn-Roli stated he is competent to perform the assignment.

Documents reviewed:
In the course of reviewing the appraisal, I have also read the following documents or otherwise obtained information:

- Legal opinion prepared by Robert Spitzfaden, attorney at law
- Review of Bjorn-Roli appraisal letter dated August 9, 2012, by Charles Horan, MAI
- Telephone interview with Per Bjorn-Roli
- Personal interview and telephone interview with Derek Duncan

I have not reviewed the actual spreadsheet program in order to double check for errors, if there are any in the programming of Mr. Bjorn-Roli's cash flow projections.

Reviewer's Comments:
My first review was of the legal opinion of Mr. Spitzfaden. I am not qualified to render a legal opinion regarding his conclusions, as I am not licensed to practice law in Alaska, and much of Mr. Spitzfaden's conclusions are based on Alaska law. However, his analysis of highest and best use is well grounded in solid appraisal theory and proper methodology as well as sound legal theory.

Based on my reading of Mr. Spitzfaden's legal opinion, Mr. Bjorn-Roli has ample reason to rely upon the conclusions to properly form the basis of his opinions of value and methodology.

I have read the report thoroughly, and also have checked mathematical computations on the approaches to value. I find no errors either in his reasoning or in his computations resulting in his underlying land value conclusion using a residual technique.

Comments on land value methodology and valuation:
It is intuitively true that land is regarded as always having inherent value to the project, as it is non-depreciating, and is traditionally the first component to receive economic return from the net income of the property. However, there are numerous examples of properties that transact at values that do not approach the value of the land as if vacant. For example, golf course properties have a market value that rarely meets the replacement cost less depreciation of all of the improvements, much less the value of the land in addition to that.

Oftentimes, in planned residential developments, the golf course land will be specifically defined, and a private covenant, public zoning, or combination of both, will create a dedicated use of the land as a golf course and no other use, similar to the covenant placed on the tramway property. However, while the golf course land itself will have little, if any, value as a stand-alone contribution to the golf course itself, its value is in the enhancement of the surrounding residential lots and general aesthetic quality of the overall development by virtue of creating demand.

Where highest and best use is concerned, it is frequently the case that certain properties serve a larger public purpose, and publicly owned properties fit that criteria as they are properties capable of generating economic activity in concert with other surrounding properties as an assemblage of units rather than maximizing their own singular value. Such would appear to be the case with the Mt. Roberts tramway. This site is useful in conjunction with the cruise ship industry, which generates significant tourism activity in Juneau, as the tramway affords a unique experience for dining, hiking, and the like. From that standpoint, Mr. Bjorn-Roli's basis of value and methodology do not lack for a sound foundation and the conclusions are well justified that the land itself, as a stand-alone entity separate from the overall operation, may have little residual value following recapture of the investment in the improvements to the site.

Conclusion:
In order to determine an appraisal's acceptability, a user of the report should review the report to assess the adequacy of the appraiser's scope of work given the intended use of the appraisal. In accepting an appraisal report, the user must determine that it contains sufficient information and analysis to support the decision for which the appraisal is designed to assist. Basic requirements state that an appraiser's scope of work is acceptable when it meets or exceeds:

- the expectations of parties who are regularly intended users for similar assignments; and
- what an appraiser's peers' actions would be in performing the same or similar assignment

The purpose of the review, on the other hand, is to evaluate from a technical standpoint the quality of the report. It is my opinion that the quality of Mr. Bjorn-Roli's report is very high, and I find no significant errors that would materially impact the final conclusions of value.

I trust that the review adequately addresses the questions raised. Should you have any further questions, please do not hesitate to contact me.

Sincerely,
HILCO REAL ESTATE APPRAISAL, LLC.

David Hunnicutt

Electronic signature to expedite delivery
David E. Hunnicutt, MAI, JD
Pacific Northwest Regional Manager
DEH/KLS

CERTIFICATION

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, conclusions, and recommendations.
- I have performed no services, as an appraiser or in another capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.
- I have no bias with respect to any property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice* and the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- I have made a personal inspection of the property that is the subject of this report.
- No one provided significant real property appraisal assistance or appraisal consulting assistance to the person(s) signing this certification.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, David E. Hunnicutt, MAI, JD, has completed the continuing education program of the Appraisal Institute.

David Hunnicutt

Electronic signature to expedite delivery
David E. Hunnicutt, MAI, JD

JUNEAU PORT DEVELOPMENT LLC
P.O. BOX 20734
JUNEAU, ALASKA 99802
PHONE (907) 209-4250
FAX (907) 463-3055
juneau_port_dev@hotmail.com

RECEIVED
AUG 21 2012
BY

Carl Uchytil, PE
155 S. Seward St.
Juneau, Alaska 99801
Port Director
Docks and Harbors

August 21, 2012

Carl,

I am preparing a PowerPoint presentation which will outline the chronological history and progress, to date, of Juneau Port Development LLC's ongoing work, toward the construction of a Mega Yacht Harbor project and newly created support uplands, at the Little Rock Dump ATS 556A.

The plat, which was prepared from my preliminary drawings, starting in the year 2001 and put to scale on February 28, 2008 by PND Engineers, Inc., was approved in concept by the full Docks and Harbors Board at their regularly scheduled meeting on October 28, 2010.

I would like to make this progress information presentation at the full Board Meeting on August 30, 2012, in order to familiarize the new Board Members with the longtime activity, which has been involved in accomplishing the completion of this endeavor, thus far.

Attached, please find a picture packet, the contents of which will be covered with the PowerPoint presentation.

I have also attached several of the more important documents which pertain to this ongoing effort.

I am suggesting that copies of these enclosures be presented to each Board Member in their regular packet, thereby allowing them time to review what has happened and prepare any suggestions, questions or comments.

Regards,

Howard Lockwood
Manager

Enclosed:

- Summary of Chronological Events
- Summary Support Pictures
- CBJ - Lands Committee Meeting - July 9, 2007
- Coastal Project Questionnaire - May 1, 2008
- John M. Stone, PE - Letter - September 14, 2010
- John M. Stone, PE - Letter - October 8, 2010

JUNEAU PORT DEVELOPMENT LLC
P.O. BOX 20734
JUNEAU, ALASKA 99802
PHONE (907) 209-4250
FAX (907) 463-3055
juneau_port_dev@hotmail.com

August 20, 2012

Below: Is a summary of chronological events pertaining to the development and activation of the Juneau Harbor Project, together with the planned newly created upland use for the benefit of the City and Borough of Juneau and Docks and Harbors Board, by Juneau Port Development LLC.

January 23, 2001: First concept presentation to the Harbor Board

a. Well received.
b. Instructed to further develop the concept.

March 16, 2001: First meeting with the Law Department was March 16, 2001.

a. John Corso, John Leque, Joe Graham, Bud Simpson and myself.
b. Outcome (I should proceed and negotiate a Lease with the City).
c. Numerous meetings were held with various Committees of CBJ.

August 1, 2002: At a Board meeting, Mr. Bud Simpson made a motion to authorize the Port Director to negotiate a Draft Lease document for the development of a Harbor and related facilities at the Little Rock Dump.

Two (2) Provisions:

a. Designed in accordance with the Long Range Waterfront Plan.
b. Approved by the Law Department.

March 26, 2003: Made presentation of Project and Draft Lease to:

a. Juneau Port Development Committee and CBJ Assembly.
b. Outcome - 100% Yes vote to move Project forward.

September 22, 2003: Long Range Waterfront Plan replaces the Juneau Port Development Committee-CBJ.

December 10, 2007: Lease with CBJ recorded.

March 2008 to September 2010: Total of $260,000.00 was negotiated by Howard Lockwood, for the benefit of Juneau Port Development LLC for soils examination and environmental permit requirements, which has been used over the past 4 1/2 years in the trial and error process of determining the best method of dealing with the contamination, which exists in this area, so as to remove the heavy metals lead, zinc, tire weights, battery plates, boat hull screws, birdshot, bullets, iron pieces, to mention a few, in order to qualify the remaining material as fill behind the Harbor wall.

April 2008: Presented my final Harbor Plans to PND Engineers Inc.

a. Put everything to scale.
b. Prepare a cost estimate.

May 2008: Made application to Coastal Zone Management - State of Alaska.

June 2008: Photographed entire Project area from helicopter at -3.6 tide.

2007 thru 2010: Extensive work was performed, regarding the soils examination, in order to qualify the material for fill behind the Harbor wall at 1000 cu. yds./day.

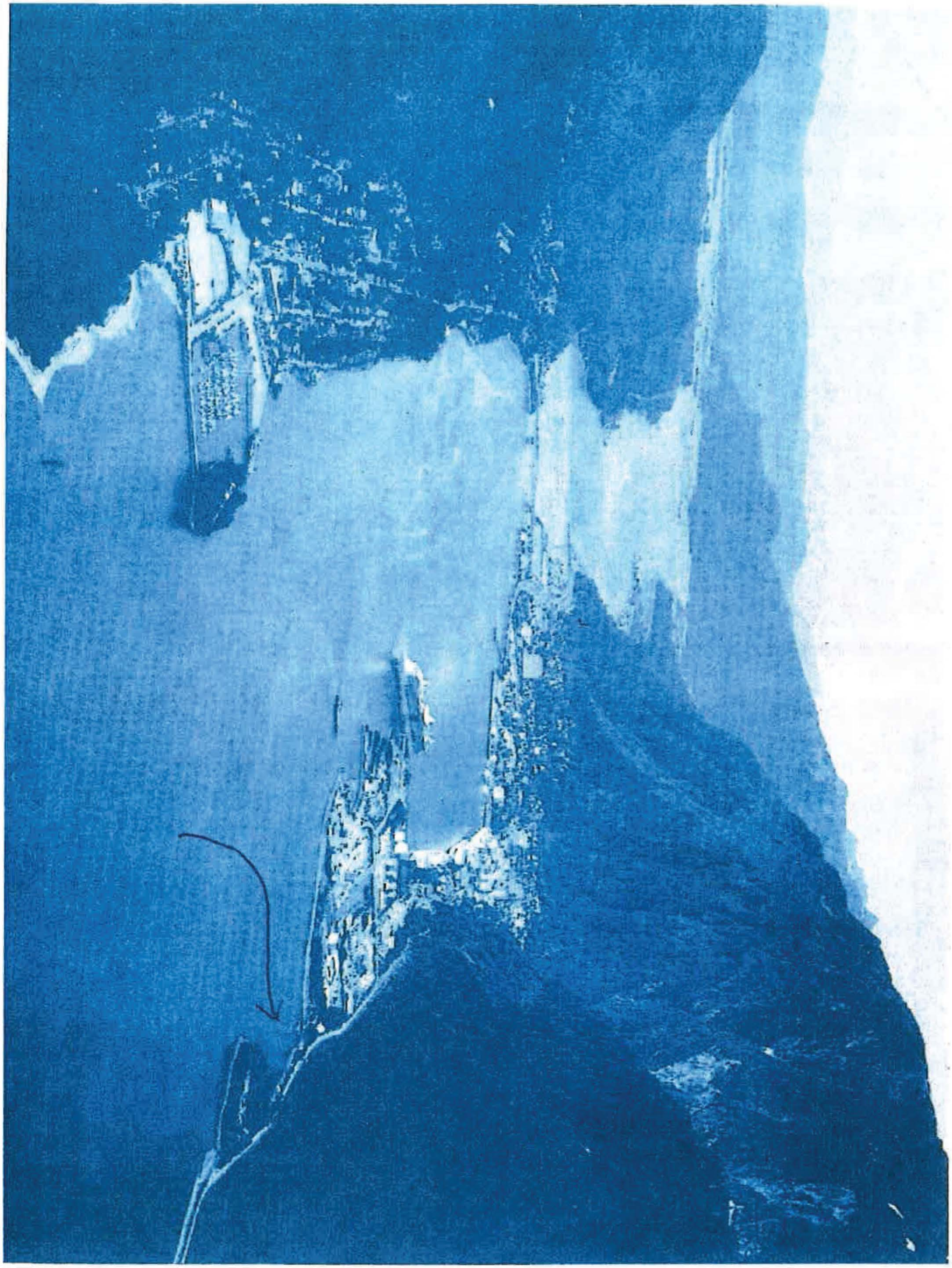
October 21, 2010: I negotiated for another $300,000.00 to extend this environmental soils examination, reclamation and Harbor design study.

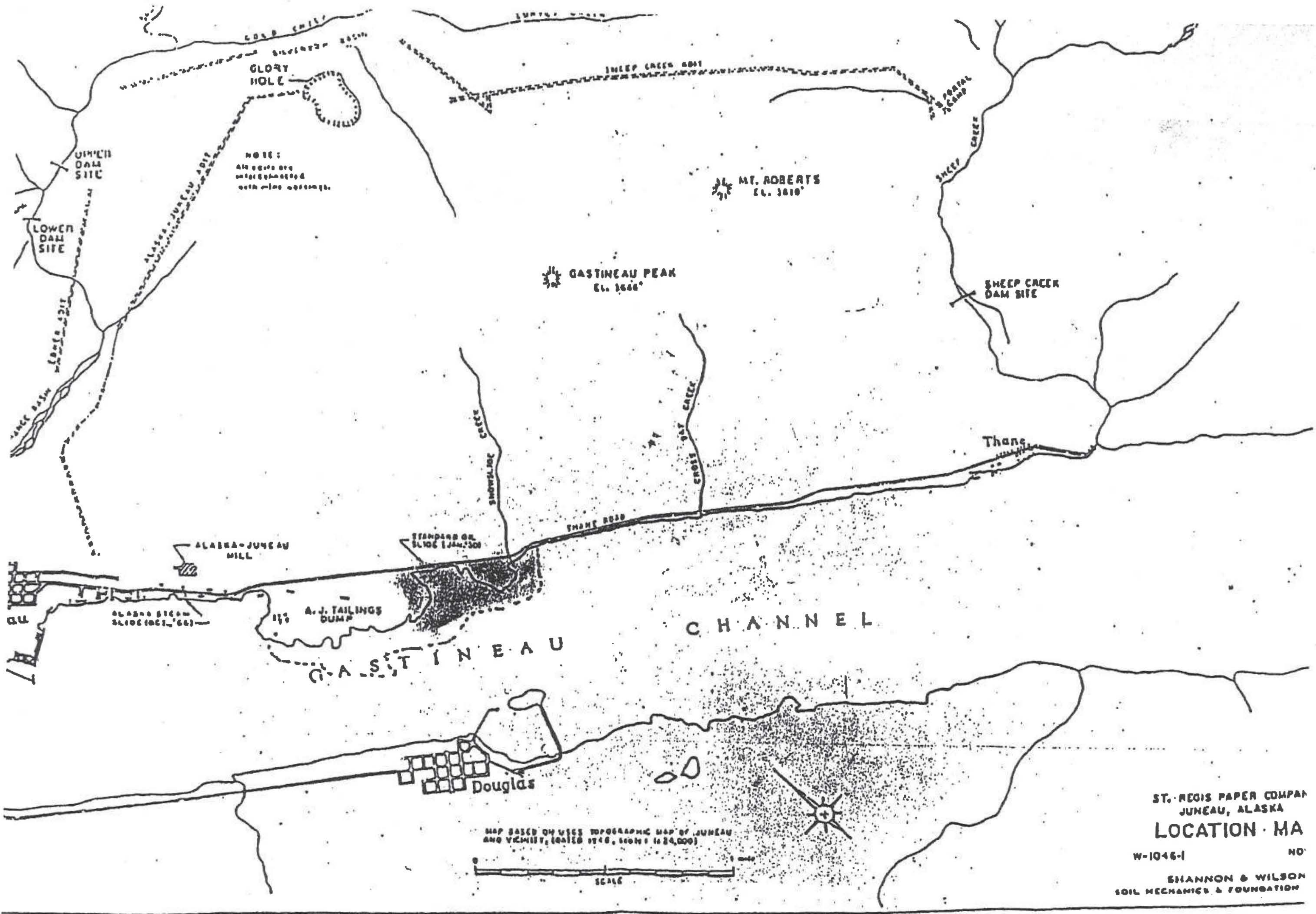
October 28, 2010: The full Harbor Board approved the Harbor Plan, together with related upland use, as presented by Howard Lockwood, Manager, Juneau Port Development LLC, at their regular scheduled meeting in the Assembly Chambers. (See attached Plat)

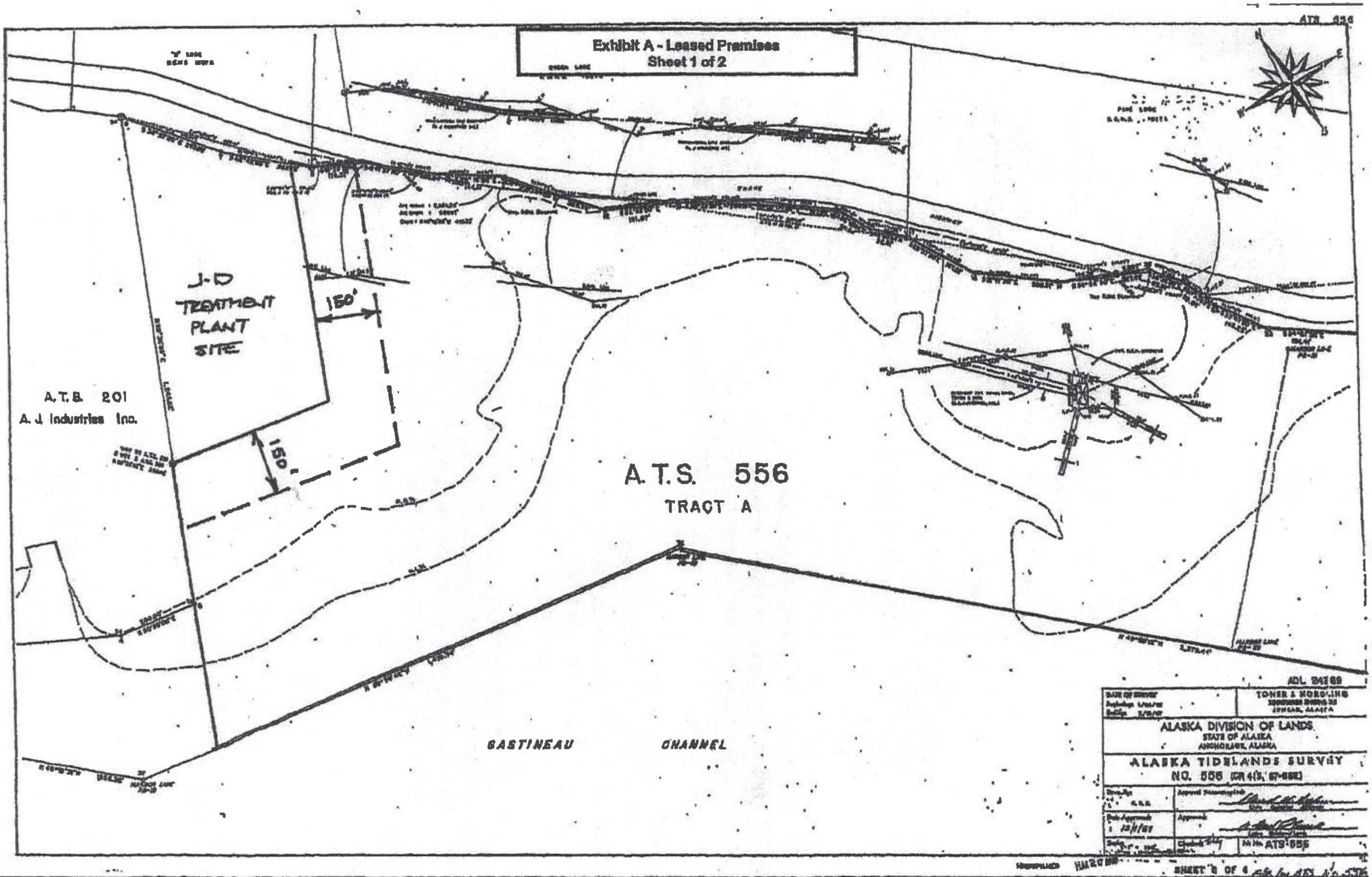
a. 75-Waterfront Apartments.
b. Extend wall across AML (face of AML).

October 2010 to date: Pursuing all phases for continuation of construction for the Harbor and related facilities.

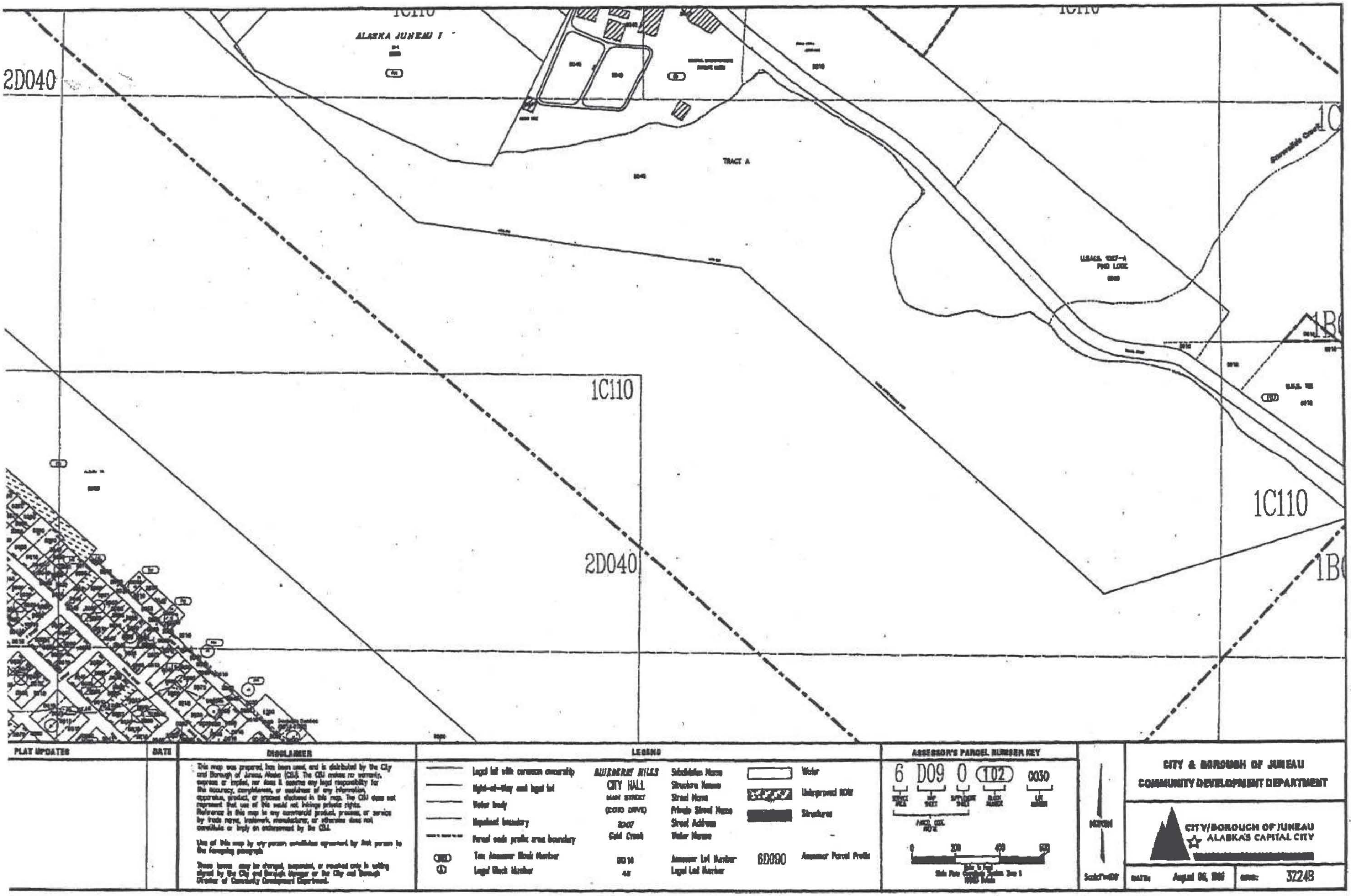
Howard Lockwood
Manager




GLORY HOLE
UPPER DAM SITE
LOWER DAM SITE
NOTE:
MT. ROBERTS EL. 3819'
GASTINEAU PEAK EL. 3666'
SHEEP CREEK ADIT
SHEEP CREEK
SHEEP CREEK DAM SITE
ALASKA-JUNEAU ADIT
SNOWSLIDE CREEK
CROSS BAY CREEK
THANE ROAD
Thane
ALASKA-JUNEAU MILL
STANDARD OIL SLIDE (JAN. '20)
A. J. TAILINGS DUMP
GASTINEAU CHANNEL
Douglas
MAP BASED ON USGS TOPOGRAPHIC MAP OF JUNEAU AND VICINITY, DATED 1948, SCALE 1:24,000
SCALE
ST. REGIS PAPER COMPAN
JUNEAU, ALASKA
LOCATION · MA
W-1046-1
SHANNON & WILSON
SOIL MECHANICS & FOUNDATION



J-D TREATMENT PLANT SITE EXPANSION EASEMENT LIMITS
JUNE 6, 2011 JTB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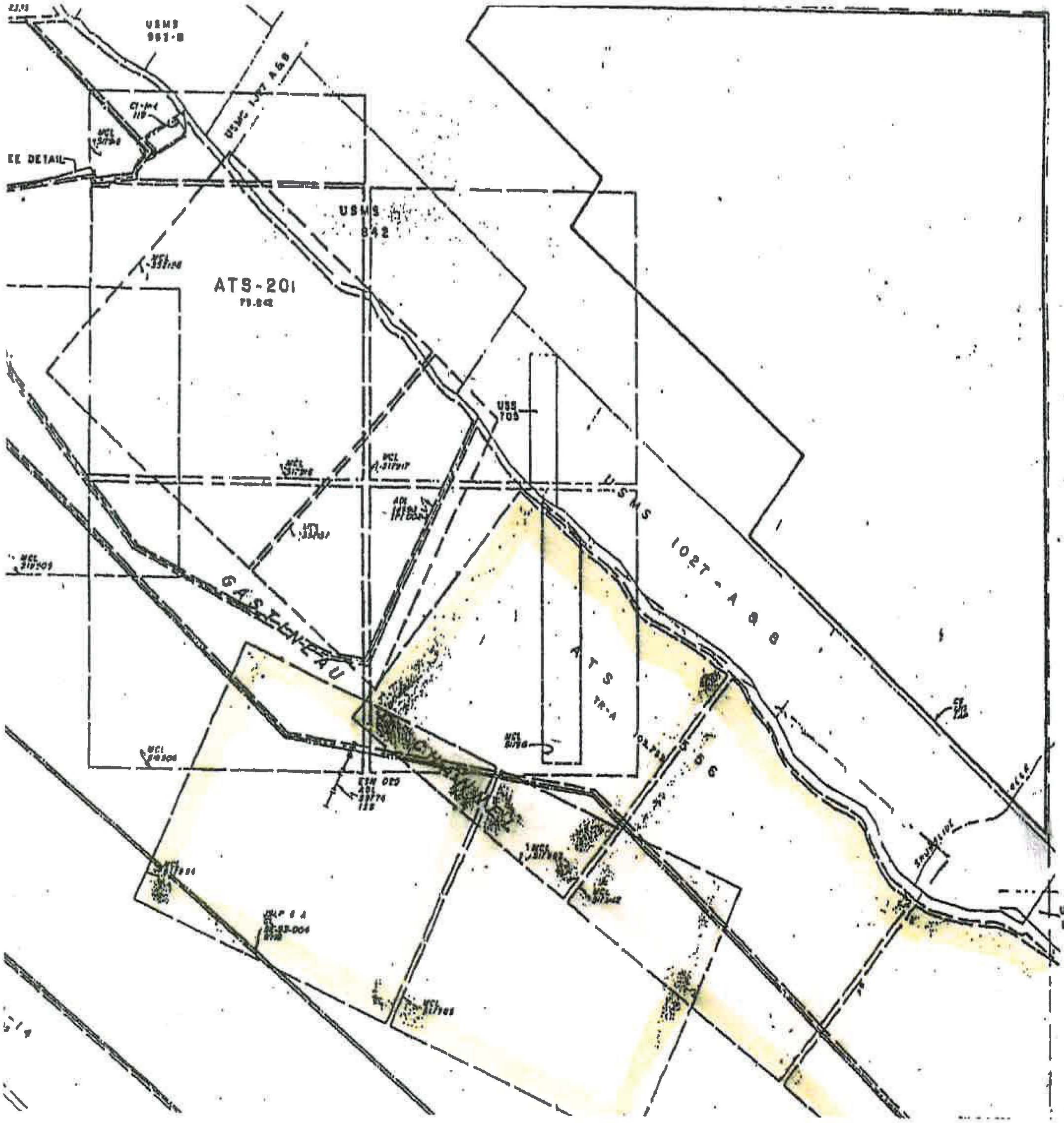
NORTH
CITY & BOROUGH OF JUNEAU
COMMUNITY DEVELOPMENT DEPARTMENT
CITY/BOROUGH OF JUNEAU
ALASKA'S CAPITAL CITY
3224B



MINERAL ESTATE (SUPPL)

SEE LAND AND WATER ESTATE

DETAIL
Not Drawn to Scale

OTHER ACTIONS AFFECTING DISPOSAL OR USE OF STATE LANDS

[illegible]
USMS 282, Plat Apprd [illegible]
USMS 281-A, Plat Apprd [illegible]
USMS 842, Plat Apprd [illegible]
USMS 981 B, [illegible] Plat Apprd [illegible]
USS 1111, Plat Apprd [illegible]
USS 442, Plat Apprd [illegible]
USS 703, Plat Apprd [illegible]
USMS 1027, A & B [illegible] Plat Apprd [illegible]
USS 189, Plat Apprd [illegible]
ATS 2, Plat Apprd [illegible]
ATS 14, Plat Apprd [illegible]
ATS 201, Plat Apprd [illegible]
ATS 210, Plat Apprd [illegible]
ATS 836, Plat Apprd [illegible]
ATS 987

CO 120: Tentative Approval; Excluding USMS 42 through 66 USMS 67, USMS 68 A and B, USMS 69 and 70; USMS 71, A and B: USMS 72, A and B: USMS 73 and 74; USMS 77 through 86, USMS 90 through 93; USMS 97; USMS 113 through 158, USMS 163, USMS 165 through 171; USMS 176 through 219; USMS 237 through 239; USMS 240, A and B; USMS 241; USMS 249, USMS 260; USMS 318, A and B; USMS 374 through 376; USMS 605, USMS 618, USMS 620, A and B; USMS 841 and 842; USMS 733; USMS 754; USMS 868 USMS 900 and 901; USMS 931 and 932; USMS 935, USMS 938, USMS 979; USMS 982, A and B; USMS 983 and 984; USMS 988, USMS 989 and 990; USMS 1007, A and B; USMS 1012; USMS 1019 and 1020, USMS 1022; USMS 1027, A and B; USMS 1031; USMS 1431 through 1433; USMS 1435, A and B; USMS 1800; USS 7 A; USS 849, USS 1078; USS 1111; USS 1118; USS 2107; USS 2168; USS 2572; USS 2580; USS 2650; USS 2653; USS 2690; USS 3149; USS 3759; USS 3871; USS 3862; and USS 4675

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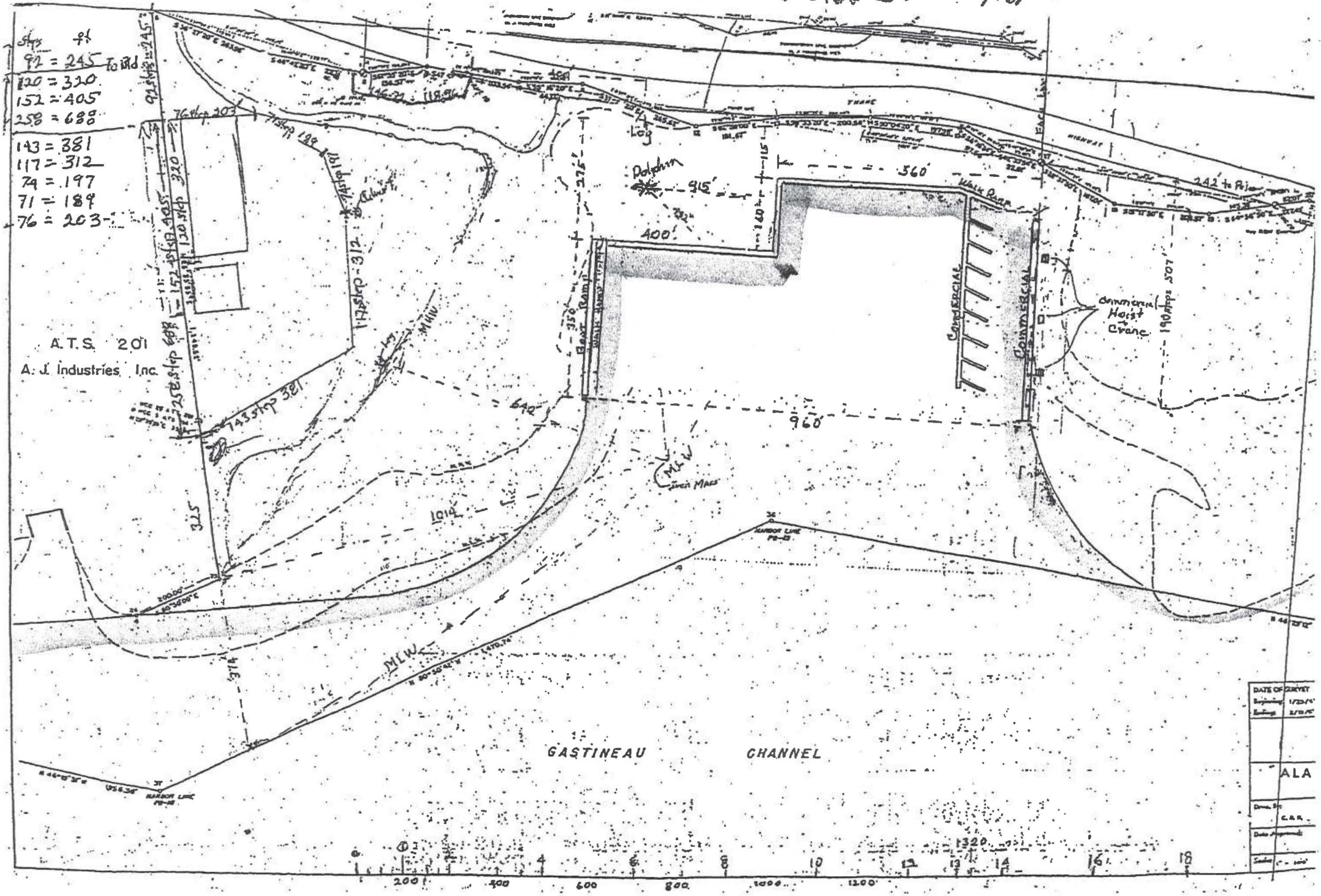
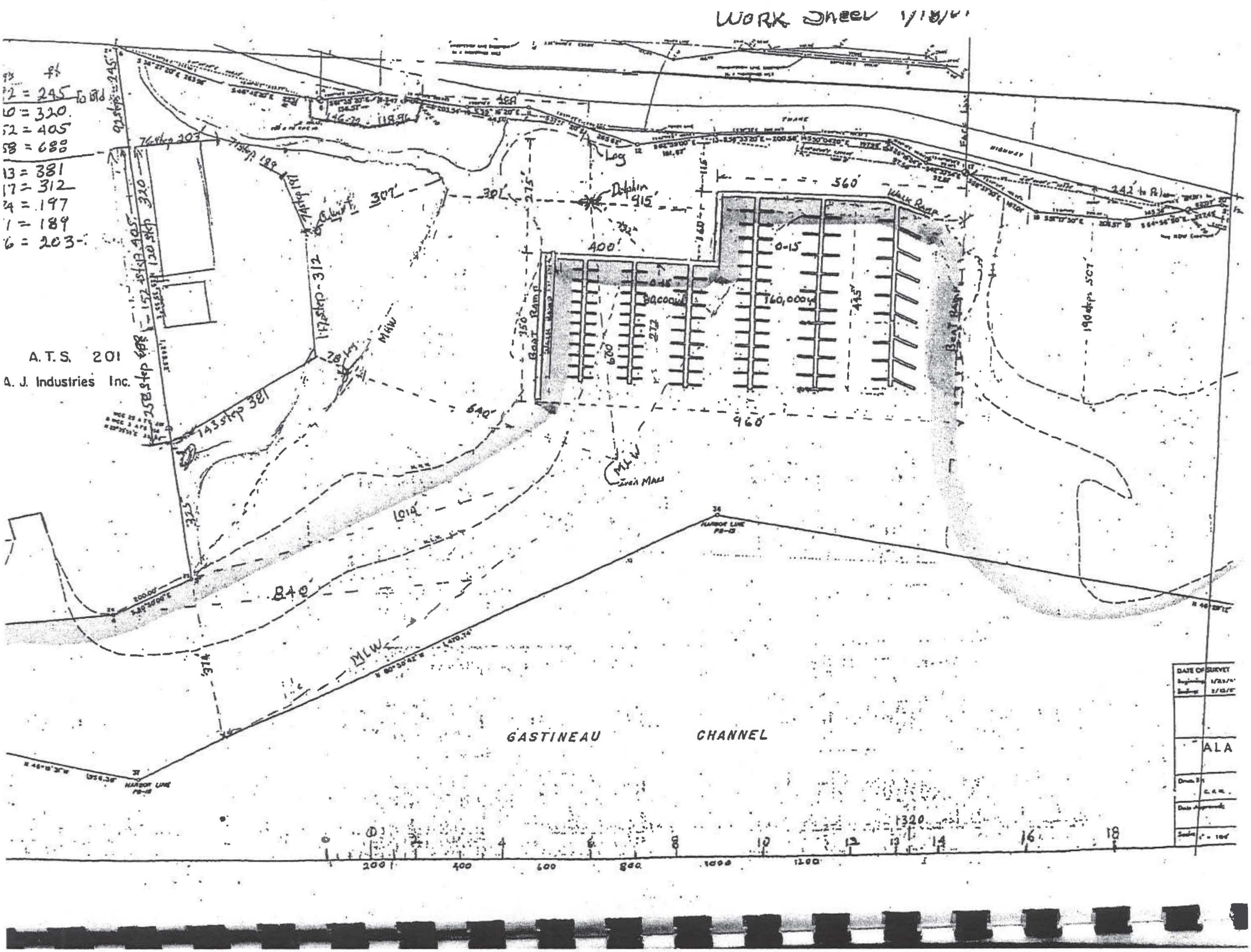
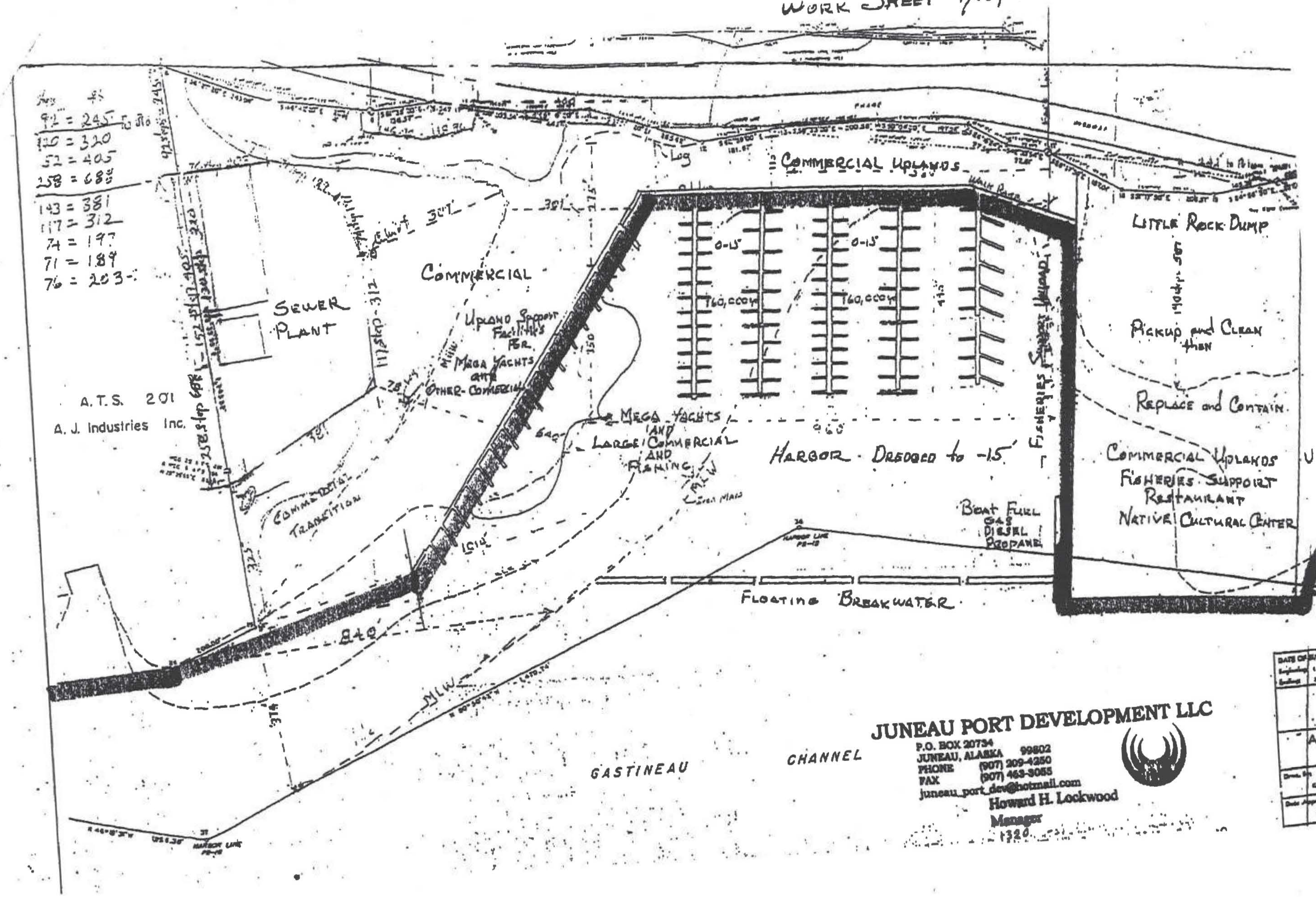
Work Sheet 1/18/01





WORK SHEET 1/18/01
A. T. S. 201
A. J. Industries Inc.
GASTINEAU CHANNEL
HARBOR LINE
BOAT RAMP
WALK RAMP
Dolphin
MLW
HIGHWAY
560'
400
960
840
1019
640
ALA
DATE OF SURVEY

WORK SHEET 1/18/01



JUNEAU PORT DEVELOPMENT LLC
P.O. BOX 20734
JUNEAU, ALASKA 99802
PHONE (907) 209-4250
FAX (907) 463-3055
juneau_port_dev@hotmail.com
Howard H. Lockwood
Manager

AREA E: AJ ROCK DUMP

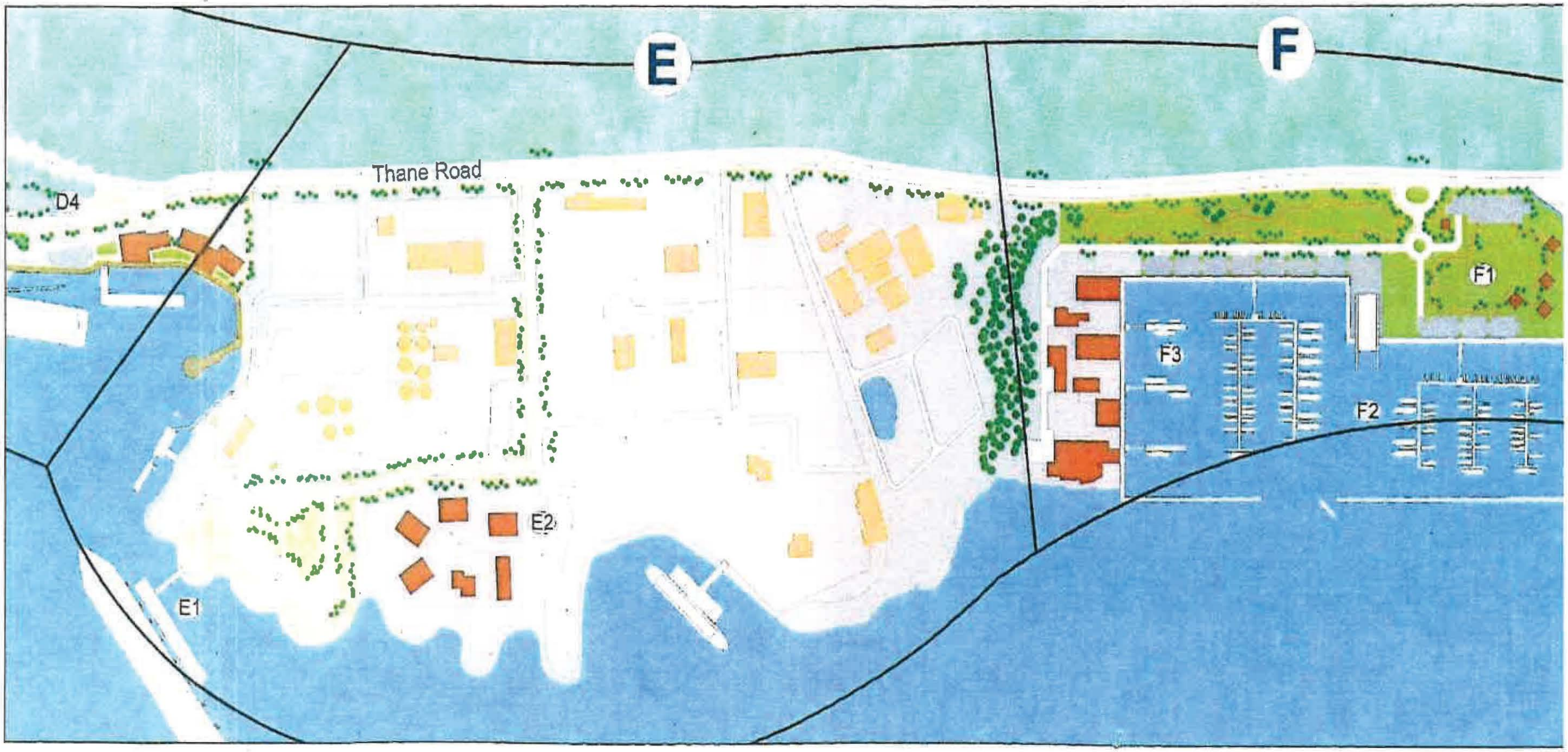
Vision Statement

With its present high-level of investment in light-industrial, public works and marine facilities, the AJ Rock Dump area is envisioned to remain similar to present levels of activity and character (see Figure 15).

E1. **Jacobson Trust Dock.** This project is likely to move forward, becoming Juneau's second priva cruise ship dock. Its generally poor position in relation to Downtown needs to be enhanced implementation of land and water shuttle systems. Pedestrian access should be discouraged to This facility should be the farthest extent tourism related activities are permitted on the AJ Rock

E2. **Additional light-industrial properties.** Additional light-industrial activities could be encour be located at the AJ Rock Dump area, especially those correlated to waterborne commerce.

Figure 15: Land Use and Initiatives Plan 2025, Areas E and F



AREA F: THE LITTLE ROCK DUMP

Vision Statement

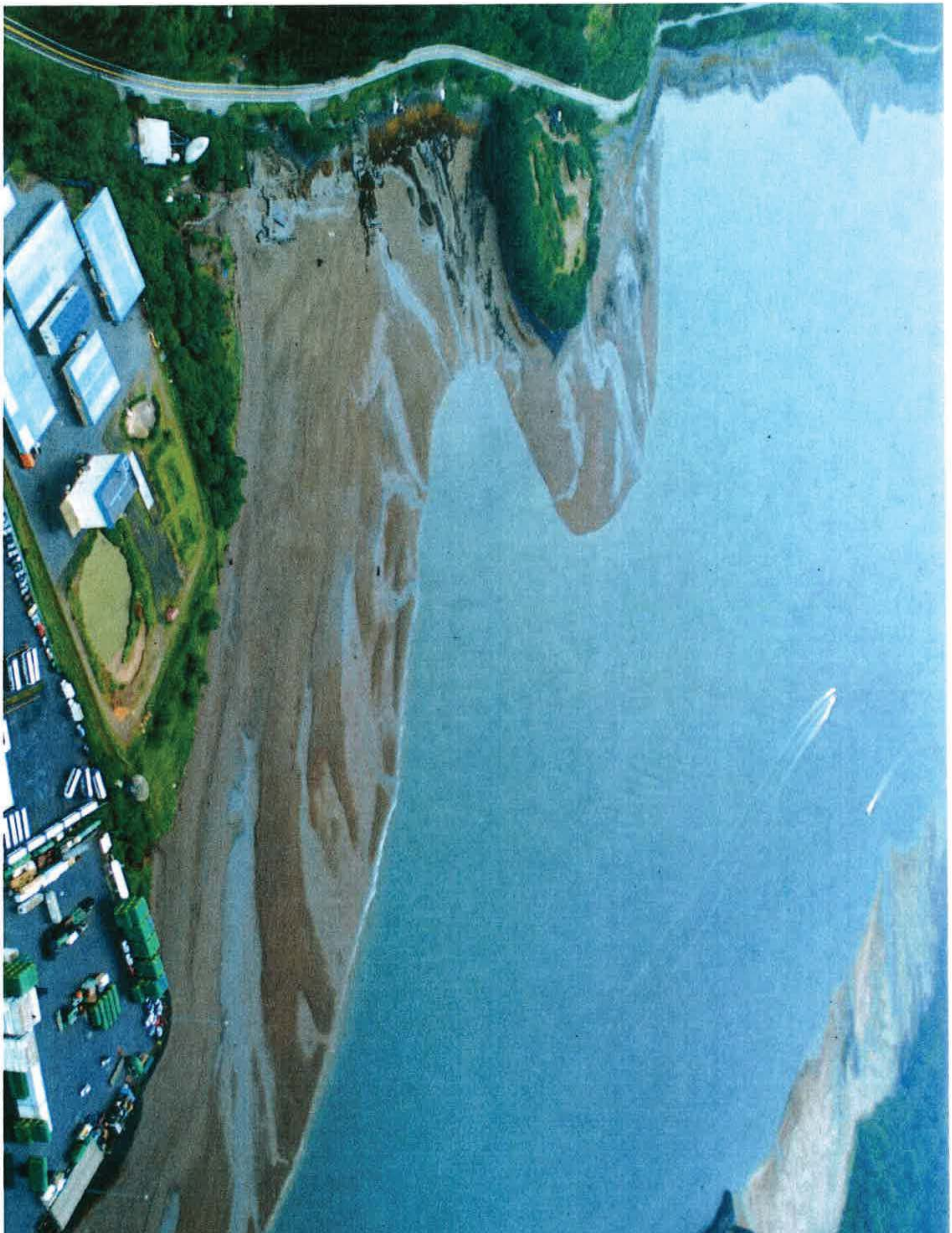
The Little Rock Dump is remade as an important new recreational and working waterfront area for Juneau, providing marine and park areas for the enjoyment of area residents and visitors (see Figure 15).

Area Features

F1. **Little Rock Park.** Nearly 8 acres of new park area are depicted in the Concept Plan. These areas could be dedicated to active recreation, picnicking, boating, fishing and other outdoor pursuits. Properly managed, seasonal camping facilities could also be contemplated for this area. A waterfront gateway welcoming arriving vessels to Juneau should also be explored. While available resources suggest the Little Rock Dump is safe for redevelopment, environmental and stability studies would need to occur prior to any upland and marine construction as well as opening of the area to the pubic.

F2. **Little Rock Marina.** The Little Rock Dump Marina will cater to local and visiting vessels of varying sizes. A public boat launch is also presented in this area.

F3. **Working Waterfront Area.** This area is intended to provide increased opportunities for fishing, boat repair, and other marine activities requiring waterfront access.



PRELIMINARY

JUNEAU PORT DEVELOPMENT LLC

REVISIONS					
REV.	DATE	DESCRIPTION	DWN.	CKD.	APP.

P N D ENGINEERS, INC.
9360 Glacier Highway Ste 100
Juneau, Alaska 99801
Phone: 907-586-2093
Fax: 907-586-2099
www.pnd-anc.com

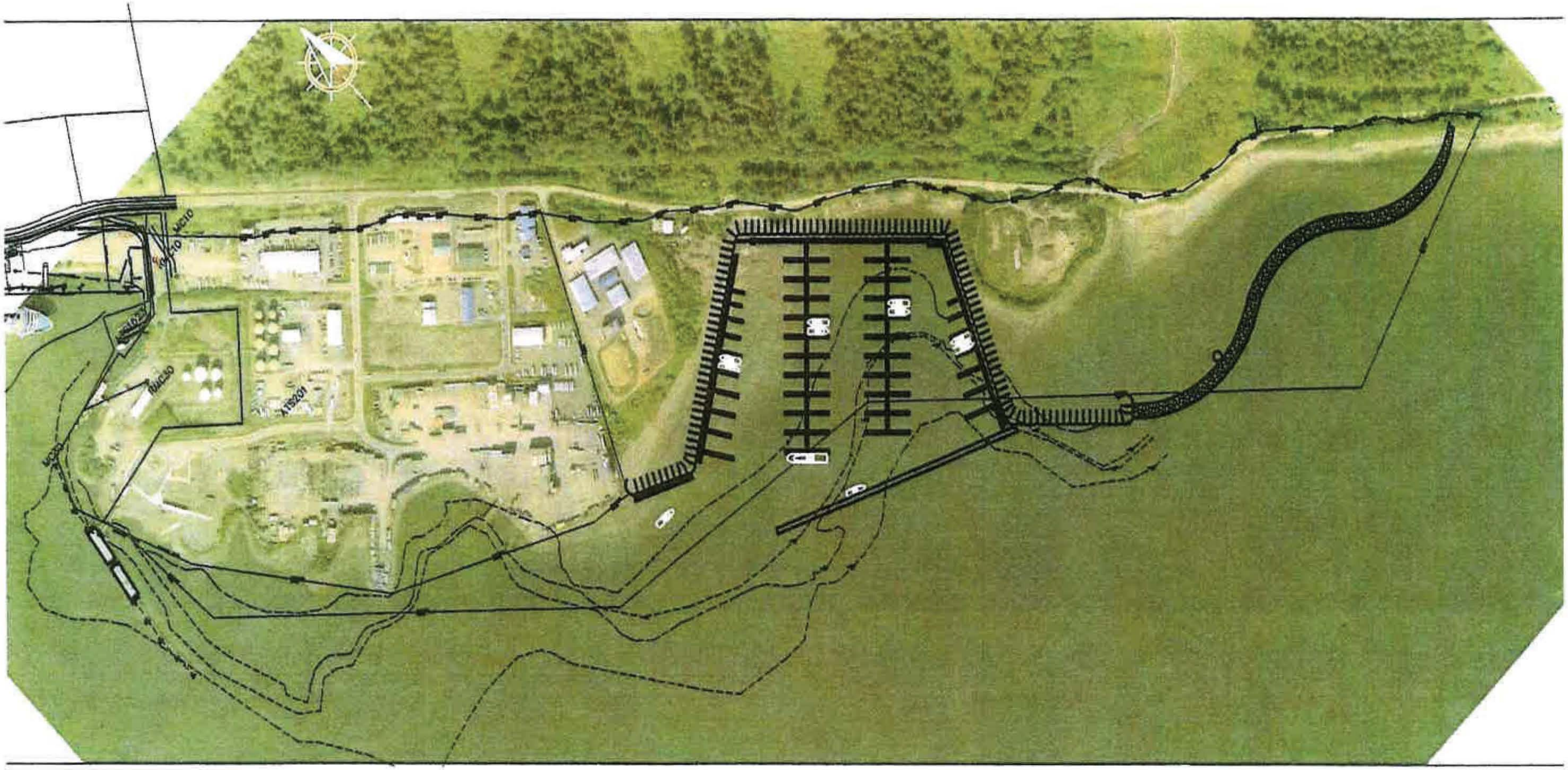
DRAWN: AWS CHECKED: CRS SCALE: SCALE IN FEET

STATE OF ALASKA

JUNEAU PORT DEVELOPMENT LLC

SHEET TITLE: ENLARGED SCALE AERIAL

SHEET 1



PRELIMINARY

JUNEAU PORT DEVELOPMENT LLC

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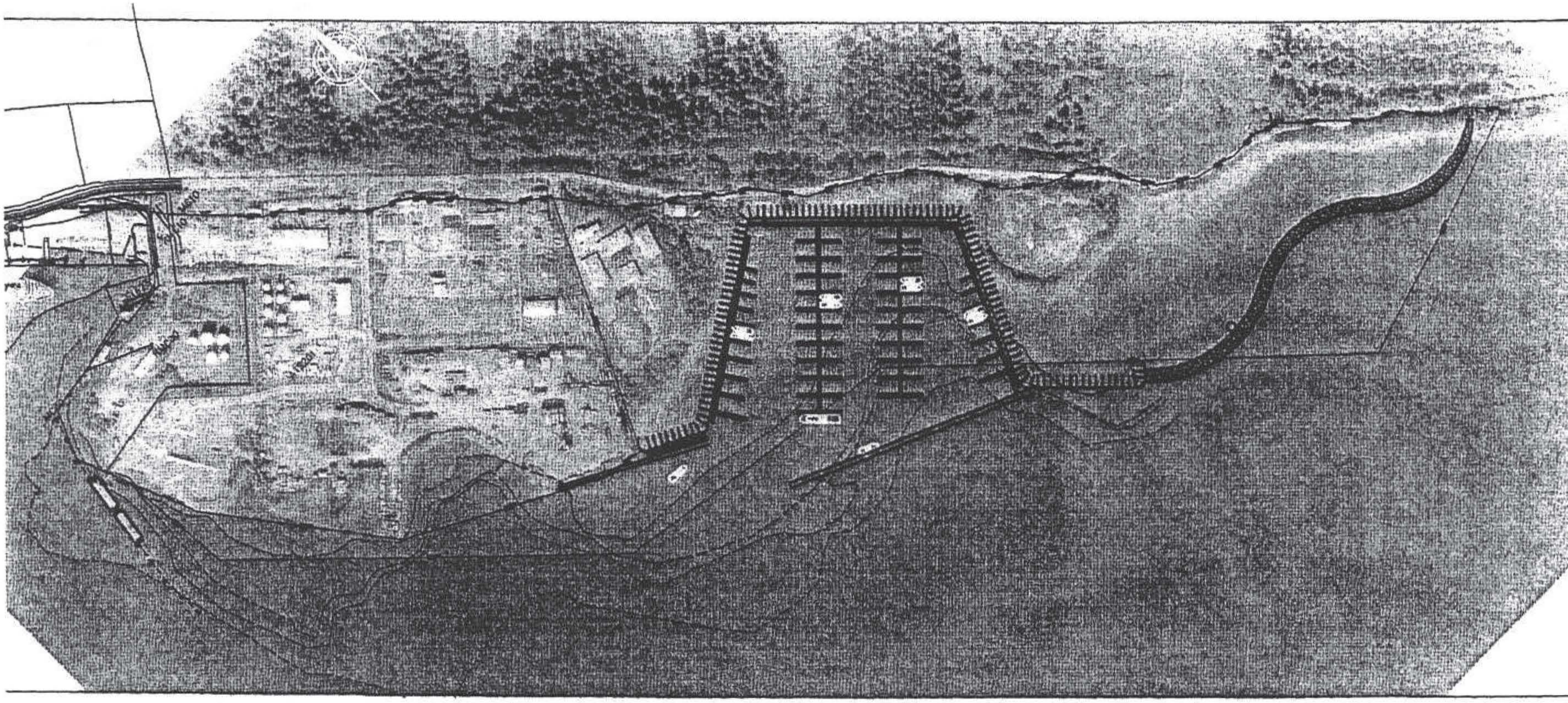
www.pnd-anc.com

STATE OF ALASKA

JUNEAU PORT DEVELOPMENT L

SHEET TITLE:



PRELIMINARY

JUNEAU PORT DEVELOPMENT LLC

REV.	DATE	DESCRIPTION	DWN.	CKD.	APP.

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PND ENGINEERS, INC.
9360 Glacier Highway Ste 100
Juneau, Alaska 99801
Phone: 907-586-2093
Fax: 907-586-2099
www.pnd-anc.com

DESIGN: AWS CHECKED: CRS
DRAWN: AWS APPROVED: CRS

SCALE: SCALE IN FEET 0 250 500 FT.

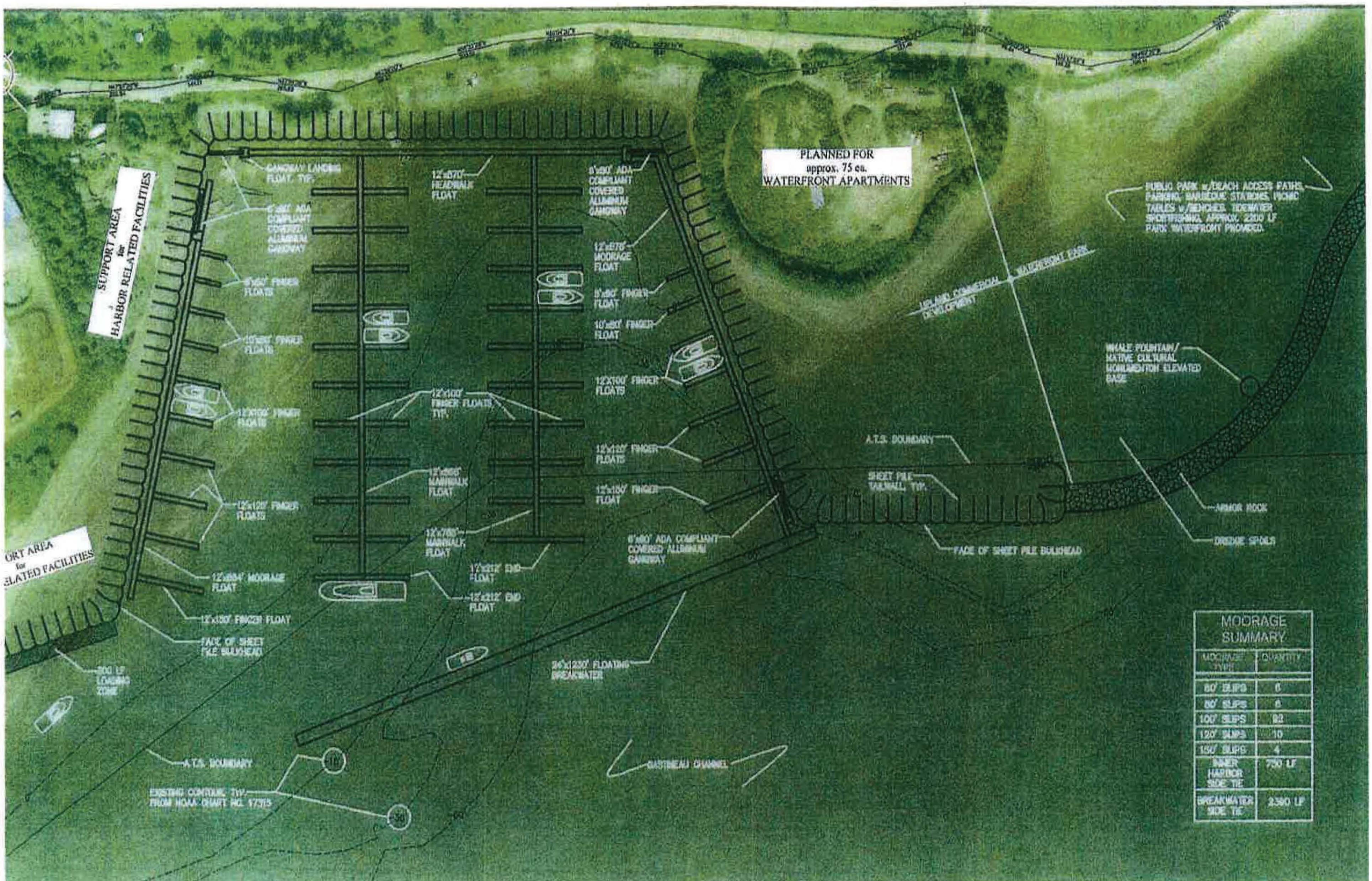
STATE OF ALASKA

DATE: 02/28/08

JUNEAU PORT DEVELOPMENT

SHEET TITLE:
CONCEPT NO. 4
ENLARGED SCALE DEVELOPMENT PLAN

PND PROJECT NO. 072081.01



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JUNEAU PORT DEVELOPMENT LLC

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REVISIONS

PND ENGINEERS, INC.

DESIGN: AWS CHECKED: CRS
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SCALE IN FEET 0 100 200 FT

DATE: 02/28/08

JUNEAU PORT DEVELOPMENT LLC

SHEET TITLE: CONCEPT NO. 4 DEVELOPMENT PLAN

SHEET 1 OF 6

JUNEAU PORT DEVELOPMENT LLC
CONCEPT NO. 4 - DEVELOPMENT PLAN

PRELIMINARY BUDGET ESTIMATE

Prepared By: PND Engineers, Inc. on February 28, 2008

Item	Item Description	Units	Quantity	Unit Cost	Amount
1	Mobilization	LS	All Reqd	8%	$6,411,840
2	Construction Surveying	LS	All Reqd	$100,000	$100,000
3	Sheet Pile Bulkhead	LF	3830	$6,000	$22,980,000
4	Dredging	CY	950,000	$20	$19,000,000
5	Imported Bulkhead Fill	CY	150,000	$20	$3,000,000
6	Armor Rock	CY	20,000	$50	$1,000,000
7	Beach Access Trails	LS	All Reqd	$300,000	$300,000
8	Bulkhead Fender System	LF	300	$1,000	$300,000
9	Bulkhead Concrete Face Apron	LF	3830	$1,000	$3,830,000
10	ADA Compliant, 6' x 80' Covered Aluminum Gangway	EA	4	$100,000	$400,000
11	Moorage Floats Including Anchor Piles, Power & Lighting, Domestic Water & Fire Suppression, Life Safety Equipment	SF	121590	$200	$24,318,000
12	24' x 1420' Floating Breakwater w/Anchors	SF	19680	$250	$4,920,000
	ESTIMATED CONSTRUCTION BID PRICE				**$86,559,840**
	CONTINGENCY (15%)				**$12,983,976**
	OTHER INDIRECT COSTS (15%)				**$12,983,976**
	TOTAL RECOMMENDED PROJECT BUDGET				**$112,527,792**

DRAFT

P | N | D

City & Borough of Juneau (CBJ) Lands Committee Meeting
Assembly Chambers
July 9, 2007 - 5:00 p.m.

Members Present:

Chairman:	Jeff Bush	Assemblyman
	David Stone	Assemblyman
	Randy Wanamaker	Assemblyman
	Johan Dybdahl	Assemblyman
	Heather Marlow	Lands & Resource Manager
	John Stone	Port Director-CBJ Docks & Harbor Board
	Rod Swope	City & Borough of Juneau-Manager
	Howard Lockwood	Juneau Port Development, LLC-Manager

Mr. Chairman – I call the Lands Committee Meeting to order. Clerk Please note the roll. Are there any agenda changes? (No Mr. Chairman, thank-you.) Thank-you. Next item on the agenda is the approval minutes for the June 11, 2007 meeting.

Mr. Wanamaker – Thank-you, Mr. Chairman. I move approval of the June 11, 2007 Lands Committee Minutes.

Mr. Chairman – Corrections? Being none. Any objections? Being none. Approval of minutes approved. Next is public participation on non-agenda items. This is limited to 10 minutes and an opportunity for any member of the public to address the Committee. Is there any member of the public who would like to address the Committee at this time? Being none, we move on to the next agenda item.

Mr. Chairman – Action Item (A)-Ordinance 2007-43, the lease with Howard Lockwood for the small Boat Harbor. Marlow are you going to take this one to start with?

Ms. Marlow – No, I think I'm going to ask Mr. Stone to step forward. You should have received a memo this evening for this project as well, that he'll be speaking to.

Mr. John Stone – Thank-you Mr. Chair. And with me this evening I have the Lessee or applicant, Howard Lockwood. He's available to answer any questions. I apologize for the late date for the memo but, that's basically what I wanted to cover for this evening. Within the Assembly Ordinances, lists the terms and conditions of the lease and then the property maps. What we're talking about is a tidelands lease to Juneau Port Development in the area between what is known as the Big Rock Dump and The Little Rock Dump. The applicant would like to construct a Boat Harbor and improved uplands in that area and also, if he is able to obtain permits to construct a park on what is known as the Little Rock Dump. There is a natural basin there now so he would be sort of expanding and building upon the natural basin that exists there. It would basically be a dredged project and then retaining walls with fill. The applicant can talk more about that if you want him to come up. The intended primary audience is to provide space for luxury yachts in the community. There is a shortage of that space and the applicant feels there's a market in Alaska for that type of use. Everything that I've heard the applicant talk about would indicate that his project is consistent with what's in the Waterfront Plan that the Assembly adopted a few of years ago and I think he's also stated publicly at several Harbor Board meetings that certainly the project would be consistent with the Plan, so we would not be looking for any variations or deviations from the Waterfront Plan. He started working on this in 2000. It's been many years that he's been actively involved with the Docks and Harbors Board. Because it was such a large area to lease, we actually publicly noticed the availability of these tidelands two summers ago, for a whole summer, to see if there was any other applicants that were interested in this sight. We did not receive any other applications, although I did receive a few phone calls from interested parties but they did not follow through with applications, so this was the only application we received through that process. The parcel is also somewhat complicated in there are mineral claims on quite a bit of the area and the applicant actually holds those mineral claims so it makes it easier for them to develop. If it was not, if it was a different party, they would have to satisfy those claims before they could go forward so at least that is taken care of. The lease that we negotiated with the applicant requires any rights that may remain at the end of the lease period with those mineral claims to revert to the City, so that we no longer have that as an encumbrance on that land in the future. The project will definitely require a lot of permitting and I expect that you'll probably have a chance to look at it many times over the next few years as the applicant tries to develop those plans and get it permitted. There'll be Corp of Engineer permits, probably Conditional Use permits, Alaska Coastal Management Program reviews, Building permits, Docks and Harbors Board specifically has to approve the plans. So I think this the first of probably many meetings on the project. The applicant has, at least to this point, been very open with regards to trying to inform all parties about what his plans are and to involve everybody in the decision making for his project. The lease term is 35 years, and there's an option for a 35-year renewal. And the way we set it up is, he has three years to obtain his permits. If he does not obtain them, the lease expires. There is a provision to extend that for good cause. As we're learning more and more, three years is a pretty quick time to get permits for a Waterfront project. It just seems that as time goes along, three years is ambitious, it may actually take a little bit longer. If it's not the applicant's fault, I think our intent would be to grant more time, for instance if his permits were actively being processed by regulatory agencies but they needed more time than three years to issue the permits, we would certainly allow him more time. Then after he obtains all the permits, he has four years to complete construction and begin operation of the facility, or the lease expires. I don't believe that'll be a problem but we put that in the event, or to safeguard the City from someone getting permits and then holding on to the land and not doing anything. Then the way we worked the annual rent clause is, since the project is somewhat speculative with regards to getting permits, we allowed the applicant to delay rent payments until he actually starts making money, and then at that point in time, he has to pay us all the way back to the start of when we issued the lease. So if we go five years down the road and he's opened the facility for occupancy, we would require him to submit the rent payment at the end of that year, for six years back to zero. That would be based on an appraisal. Now, the only concession we did make is if he's unable to get permits, he doesn't have to pay any rent. So that's a concession we made due to the speculative nature of it. So with two years down the road from today, and he basically decides this is just going to be an impossible project to permit, the lease expires, it comes back to us, he would owe us no rent. So he would only owe us rent if he's able to get it open for occupancy. I think the Board felt that was somewhat fair. Let's be realistic about it, it's going to be a tough project to permit, at least I think so. So, I think if he can pull it off and get a luxury yacht basin and some other public improvements in there, that would be great. Because I don't think there's too many people that would be able to do this. I think I would even have trouble doing it as a public project. So that's all I have and I'd be happy to answer any questions.

Mr. Chairman – Thank-you, any questions for Mr. Stone? Mr. Wanamaker.

Mr. Wanamaker – Thank-you Mr. Chairman. Mr. Stone, as I read the assignment of the mineral rights on expiration of the lease, it's not clear to me. If he's unable to complete the project and the lease expires because he's not able to obtain the permits, do the mineral rights transfer to the City then?

Mr. John Stone – No, uh well, I'm not sure. That's a good question. Basically, the way it's worded, is if the lease expires they come to us. So that may be something we'd want to clarify.

Mr. Wanamaker – Mr. Chairman, if I may follow up. That was a concern of mine because it is ambiguous and I think a good claim could be made by both viewpoints. Uh, the second thing is on page 6 line 12, where were talking about an extension to the 36-month period. Line 12 goes, must be approved in writing by CBJ. My question is what is CBJ in that instance? Is that the City Manager? Is that the Port Director? And because this is an ordinance, is that something that can be assigned to some staff member or is that something that would have to be done by assembly resolution in writing?

Mr. John Stone – I think the intent was to allow the Port Director to do it, during the negotiations and I guess it probably just didn't end up that way in the drafting, but that was the intent.

Mr. Wanamaker – Thank-you Mr. Chairman.

Mr. Chairman – Other questions? Mr. Lockwood, did you want to address the Committee or be just available for questions.

Mr. Lockwood – I'm available for questions. I think the Port Director has covered the project very well and if there's anything specific you want to here from me, I'd be glad to.

Mr. Chairman – Any questions for Mr. Lockwood? Come forward Mr. Lockwood and have a seat.

Mr. Lockwood – Mr. Chair and members of the Land Committee. For the record, my name is Howard Lockwood. I live at apartment #28 Thunderbird Terrace and I'm here as the Manager of the Juneau Port Development, LLC. I'm willing to take any questions that you'd like to ask.

Mr. Chairman – Mr. Wanamaker.

Mr. Wanamaker – Yes, thank-you Mr. Chairman. Mr. Lockwood, thank-you so much for agreeing to take a few questions. I have one question right now and that's – it's a 36-month planning and permitting period for a Waterfront project, actually, it seems very tight to me. Are you comfortable that you can do that in 36-months or would you anticipate you would actually have to come and ask for an extension near your 36-month period ending?

Mr. Lockwood – Well at this stage of the project, without having completed the environmental study and the processing of the material and with the provision that there is an extension if there is adequate work performed, I'm comfortable with the 36-month program. You realize the first thing that the LLC has to do is finalize and complete the concept plan into fairly final drawings. At that time and simultaneous with that, we'll be negotiating and presenting tentative plans with the various agencies, the Fish and Game, Corp of Engineers, DEC, EPA. I've had several meetings with Kenwin George from the State agency who heads the industrial water discharge control. In the tests that have been performed up to date; the main problem is going to be removing the base metal lead and the lead oxide that came from the years and years of shooting out there. When I came here in 1959, there was a trap house down there. When we did tests - three years ago I acquired permits from the Corp of Engineers and the Fish and Game, to be in there with a small surface dredge. And in those tests, we were running 106 yards, pretty much over a period of 4 or 5 days, with a very small system. And in that testing, we were picking up between 5 and 6 pounds of base metal lead. One test produced 9 pounds of tire weights. A lot of the lead that's in there are burnt batteries from the cars that were burnt down there. Now to answer your question more specifically, those are just basic environmental issues that I have to deal with. The Little Rock Dump, as you know, was originally a tailing discharge for mine waist rock and debris. Then it was made into a car dump. Then it was made into a garbage dump. We used to go down, my oldest son and I would go down and pick up the yellow lead paint that they used at the airport for painting the City trucks. It was all over there. So, I don't know what we're going to get into with that. I'm comfortable with the idea that it's workable. There are provisions too, and it was used in the dredging when the City dredged the 28 thousand yards for the Harbor downtown here. There was a terrific problem, as you know, placing that dredged material. The City tried to place it out at Montana Creek. They couldn't. It was finally settled to place that material above mean high tide at the Douglas Boat Harbor. I feel that being able to use those containment cells and with the fact that there is going to be a containment wall and a fill in behind, I think that there's a very good chance of moving through that permitting process without too much delay, at this stage.

Mr. Wanamaker – If I may just follow up. Get back to my other question, which I think is pretty important. 48 months through the planning and permitting process, you've received an extension of an additional year and you've come to the end of that year and you decide that this is just not a permittable project. Do you think that the mineral rights transfer to the City at the end of the lease under those conditions?

Mr. Lockwood – That wasn't the intent of the negotiations with the Law Department and the writings that I did. That was never mentioned and that's a question that's never really been addressed. You have to remember that this property has been setting there now for 50 some odd years and no ones done anything with it. And the mineral estate was put upon the property in the 80's, 1980 sometime, by Dr. Roger Eichman and I negotiated the lease for the minerals with Dr. Eichman prior to the time that I started this project. That's a difficult question to answer right now. If we didn't do anything, if this project was turned down, the mineral estate stays there, so I don't see why allowing this to go forward would have a significant issue on the mineral estate. There is a very clear report, very clear writing, that the mineral estate does go to the City as the project develops. I don't start projects with the intent of stopping them. I've been on this for a long time. I'm very confident, as I see the picture, that this will be completed by somebody. The LLC platform is open. It was designed as the platform to do this because of the flexibility of bringing participating partners or participating people into this project. And then there is another provision. We lean heavily on the rent credits when they become due for the new improved uplands and new improved Harbor as provided in the CBJ Ordinance. The Harbor as it's improved and the uplands improved will have an equity value and there's a tremendous financial exchange. Now to acquire that equity value, there's no question parts of those mineral claims have to be released for the LLC to acquire that. I don't want to cast your question off. I can't answer it at this time but I don't think it's an issue as I see the project. I think once this moves forward, it's going to be completed either by myself involved, termination of my position, time, there's going to be a group that will finish this and all the provisions are in place. That's my honest opinion at this time.

Mr. Wanamaker – Thank-you. Thank-you Mr. Chairman.

Mr. Chairman – Other questions for Mr. Lockwood. Rule of the Committee? Mr. Stone.

Mr. David Stone – Thank-you Mr. Chairman. I would move that the Assembly Lands Committee forward Ordinance 2007-43 to the Assembly.

Mr. Chairman – Is there objection to the motion?

Mr. Wanamaker – Mr. Chairman, I'm wondering if it's really ready to go. I support the idea of this lease but those two questions, I think are important enough that they ought to be fixed by the City staff. One is the issue of what do we mean by CBJ when we say approved in writing? It should be clear. It should be by resolution of the Assembly because this is an ordinance or that we devolve the responsibility down to the Port

Director. So I think it's better for them to work that out, than us, and the issue of the mineral rights being questioned if it has to end early for some reason.

Note: Mr. Swope, Juneau City Manager, was sitting in the back of the Chamber and came forward without invitation from the Chairman and sat down at the microphone next to Mr. Lockwood to address the Committee.

Mr. Chairman – Mr. Swope could you address Mr. Wanamaker's concern.

Mr. Swope – Sure, I think they're two good questions and I'm glad to be here because I suggested it come to the Committee just because it's fairly significant, it's a big project and I thought it would be important also, as I explained to Mr. Lockwood, to have some Assembly members that are familiar with it, at a Committee level and it's always, I think a good idea to have a Committee recommendation going forward to the full Assembly. So, it's really been vented, I think, for a lot of years through the Harbors Department so I guess I'm responsible for bringing it back here and I don't want to see it delayed. I guess my position is I think clearly, as John mentioned, I think it is the Port Director. I mean, I think if there were an extension to be granted, I would assume, if I were in John's position, I would go to the Docks and Harbors Board and say Mr. Lockwood has requested an extension for these reasons. I think it's legitimate. I think we'd grant him another 36 months or whatever. I think clearly, it should be a Port Director decision there, conferring with the Harbor Board. Secondly, I think I completely agree with Mr. Lockwood, although I'm not an attorney but I sort of look to the Chair but I can't imagine if he tries to go forward and develop his project and is unable to, can't acquire the permits or there's something else, financing or something stops it, I can't imagine the City would be able to go, or would want, or in fairness, then be able to acquire the mineral rights to his property. I mean personally, philosophically, that just doesn't feel right. I think as Mr. Lockwood said, if he went ahead and got all the approval and went forward, developed the project, or there is a significant amount of work done and then for some reason something happened, my personal belief and recommendation is, that I think you should forward in the way of amendment, clarification that does not confer rights to the City if the project does not move forward.

Mr. Lockwood – May I add one point to that please? As I think through this question, those claims are tide and submerged lands claims and it's illegal for the City to hold tide and submerged lands claims. I don't believe it would be legal from the Statutes. The Statutes governing that are AS 38-05-185 to 38-05-275 and I think it's very clear that the Municipality cannot engage in the prospecting or the holding of tide and submerged land claims. So, although your question is well taken and your concerns well taken, I don't believe it's legal to do that. I could stand to be corrected by law but I think that I have the documents that would say that is so.

Mr. Chairman – Mr. Stone.

Mr. David Stone – I appreciate Mr. Wanamaker's questions and I would say then, can I modify the motion to say that we would forward Ordinance 2007-43 with two

JUNEAU PORT DEVELOPMENT LLC
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May 1, 2008

Coastal Project Questionnaire and Certification Statement

Background & Project Description

Test Facility at Portion of ATS 556A

Ownership:

The area is filled tide and submerged land at ATS 556A, owned by the State of Alaska, conveyed to the City & Borough of Juneau, by the State of Alaska, for management, through ADL 106678, dated February 14, 2001, under the provisions of AS 38.05.825.

The property involved in this application is a portion of ATS 556A, the area known as the Little Rock Dump. It is partially filled tide and submerged lands, created by the deposit of crushed rock and sand from the AJ Gold Mine, upon the original beach, during its operational days, over 70 years ago. Local residents historically used the area for a **rifle, pistol and shotgun shooting range, car dump and boat dump**.

Material:

The area contains rock and sand material, which was discharged from the A.J. Mine and placed on the surface of the existing beach, to an area approximately 5 ft. above mean high tide. Continual erosion and wave action over the years has cut this bank down and washed much of the light material out to sea and left the heavier material, such as **old car parts, boat parts, rusty iron, lead bullets, lead birdshot B-B's, burnt battery plates, burnt tire weights etc.**, to list a few, on the surface of the sand, which is washed and moved about daily by the tidal wave action.

Project Objective:

The proposal is to remove the top 1ft. to 2 ft. of known undesirable material and place this material inside approved containment boom areas for processing. In order to accommodate the need for the screening, classification and removal of the undesirable material, this material will be scraped into piles, working only at low tide with a cat and loader, and then carried to a place inside the boomed off area, where it will be lifted by the use of a vacuum dredge system, sand pump or sand screw, to a working area above +20.8 MHW (mean high water), for separation by gravity, with the **old car parts, boat parts, rusty iron, lead bullets, lead birdshot B-B's, burnt battery plates, burnt tire weights etc.**, being removed and sent to a proper place for disposal. The inert sand and rocks remaining will be stored and examined for its quality, to be used for fill behind the Boat Harbor retaining wall, to create the new Public Recreational Park, together with creating the new usable Uplands. No chemicals will be used in this process. After this is completed, 20 additional samples will be taken for examination, from test holes drilled to -20 MLT (mean low tide), inside the potential Harbor area, at locations to be determined by agreement, with the DEC.

Process:

The applicant approached the Docks and Harbors Board in March 2001, with the concept proposal to Plan, Design, Engineer, Finance and Construct and Operate a Harbor and related Upland facilities at this site, at no cost to the City or its taxpayers. The Docks & Harbors Board approved this concept, unanimously, in 2002 with the following conditions and stipulations:

a. The project must be in accordance with and compatible to the provisions of the New Long-Range Waterfront Plan.
b. The project must be certified by the City Law Department, to be in total compliance with all Federal, State and City Laws, Regulations and Ordinances.

The title and equity interest of all improvements created by this endeavor, including the Harbor facility, its Docks, Ramps, Breakwaters, newly created Uplands, newly created Public Park, together with the Park

Infrastructure, will vest in title to the City, at no cost to the City or its taxpayers. The project will be Designed, Permitted, Financed, Constructed and Operated, entirely with private enterprise capital.

After nearly four years of meetings, presentations, reviews, comments, analyses and changes, together with providing a Final Lease document, with the provisions necessary to carry the project through to successful fruition in the Private Sector market, the Ordinance, prepared by the City Law Department, supporting the Final Lease, was presented to the City Assembly, at its regular scheduled meeting on August 6, 2007, for review and approval.

a. The Ordinance #2007-43 was approved by the City Assembly, at its regular scheduled meeting on August 6, 2007.
b. The Lease between the City & Borough of Juneau and Juneau Port Development LLC was signed on November 14, 2007 and recorded on December 10, 2007, Recording No. 2007-007947-0.

The Lease, signed between Juneau Port Development LLC and the City, provide that the project would be developed in two phases.

Phase No.1: Permitting

a. This application is to procure the necessary permits, review and approval from all agencies, by the installation and operation of a test facility, in order to develop and demonstrate the procedure, which is planned for use in the construction method for creation of the Harbor, Uplands and Public Park.

b. The intent is to present a concept of the entire project, but only apply for the Phase No. 1 permit, which will involve working with the various Federal, State and City agencies, in order to remove and isolate known undesirable materials, **old car parts, boat parts, rusty iron, lead bullets, lead birdshot B-B's, burnt battery plates, burnt tire weights etc.**, which exist in and upon the top 1 ft. to 2 ft. of the entire area. This is to be done prior to drilling the test holes, which are required by DEC, to analyze the sand at deeper levels.

c. During this testing period, the applicant will be working on the final Design, Cost and Engineering for the entire project. The final Engineered plan and procedure for the movement of the dredged material from the Harbor area, to be used as fill for the creation of the new

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John M. Stone, P.E.
Port Director
City and Borough of Juneau
155 S. Seward Street
Juneau, Alaska 99801

RECEIVED
SEP 15 2010
BY:

September 14, 2010

John,

Pursuant to Page 6 of 22, Paragraph 5, (a), (b) and (c), of the Lease by and between CBJ Docks and Harbors Board and the Juneau Port Development LLC, which was recorded at #2007-007947-0, Juneau Recording District on December 10, 2007, I would like to schedule a time for me to present a chronological report of the activity and progress that has been made thus far, in the ongoing endeavor to plan, design, permit, construct, and operate a harbor facility, which would accommodate vessels between 80 feet and 300 feet, together with the related infrastructure and newly created uplands.

There is the need of approval of the concept modification, which would extend construction of the harbor wall across the face of AML's facility. The exact provision of this has yet to be negotiated between AML and Juneau Port Development LLC.

Also, the need of approval of the concept to plan, design and construct approximately 75 waterfront apartment units at the Little Rock Dump sewer waste disposal site.

We should schedule approximately 15 minutes for the power point presentation and then whatever time is necessary for the Board members to ask questions.

I will be asking for a formal vote of approval of the concept plan and engineering drawings, prepared by PND Engineers, Inc, together with the modifications, as outlined above, details of which are to be presented at this meeting, together with recognition, that at best, it will take between 18 and 24 months before work can actually start on construction of the harbor wall and placement of the fill behind.

Respectfully,

Howard H. Lockwood
Manager

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John M. Stone, P.E.
Port Director
City and Borough of Juneau
155 S. Seward Street
Juneau, Alaska 99801

October 8, 2010

John,

As instructed by the Docks & Harbors Board Chair, Jim Preston, after my updated presentation at the regular Board meeting on September 30, 2010, please schedule an action item, to be presented by me, to the CIP Committee meeting on October 21, 2010 and to the full Docks & Harbors Board meeting on October 28, 2010.

I will make a PowerPoint presentation at both meetings and will be asking for a vote of approval of the Project Concept Plan, as presented, together with approval of an additional 2-year time period, of which to acquire the permits necessary, in order to start work on the Harbor Facility.

CC: Mike Williams- CIP Chair
Jim Preston- Board Chair

Attachments:
Letter to John Stone - Sept. 14, 2010
Coastal Project Questionnaire and Certification Statement - May 1, 2008

Regards,

Howard Lockwood
Manager